

LGA Response to DCMS and HMT Digital Communications Infrastructure Strategy Consultation Document, October 2014

About the LGA

The LGA is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

We welcome the opportunity to respond to the Digital Communications Infrastructure Strategy consultation document.

Key Messages

The UK's digital communications infrastructure is as important a strategic consideration as electricity, planning, housing and transport for living and doing business in the twenty-first century. In towns, cities and villages alike, digital technology, and the infrastructure that supports it, is an essential enabler for the achievement of many economic and social outcomes.

We need to ensure that the predominantly rural – and even pockets of urban – communities who are already lagging behind in the publicly funded broadband and Wi-Fi rollout, get access to fast and reliable digital connectivity - internet and mobile - as soon as possible.

From supporting increased levels of resident and business self-service, to delivering services differently through telecare and assisted technology, working more efficiently with partners on sharing information and enabling staff to work remotely, digital infrastructure drives economic growth and public service transformation.

Local government has a strong track record of embracing new technology to improve its own efficiency and support business and residents to deliver services better and save money. Given that councils face a funding gap of £5.8 billion between March 2014 and the end of 2015/16, increased demand on local public services from a growing and ageing population and fundamental reform of welfare and health and social care, the need to take advantage of digital innovation has never been greater.

It is vital for this country's future economic prospects that our digital communications infrastructure keeps pace with technological advancement and that access is equitable, reliable and affordable across the country. As we consider future digital infrastructure needs, we need a regulatory framework that encourages robust competition and value for money for citizens and businesses, and we need Government to recognise that without equitable access to digital technology, it will not achieve its wider public service reform agenda.

Introduction

Digital technology is one of the fastest changing sectors. Smart phones and tablet computers are now everywhere; town centres and public buildings routinely offer wireless access; data and systems are increasingly stored in the 'cloud'. These advances have enabled citizens, businesses and public bodies to change the ways in which they interact, gain access to information and services, and organise their work. Digital infrastructure is an essential part of creating places where people want to live, work and visit. It is as important to how we live our modern lives as transport and energy.

Councils have been quick to recognise the opportunities offered by technology and digital tools and approaches to target and deliver public services better and save money. They have explored different methods of improving local people's access to services including tele-care, online applications for school places, cashless parking payments and 'apps' to inform or alert service users. For instance, Hammersmith and Fulham's online self-service portal has saved £1.15 million annually. Staffordshire County Council has co-developed Patchwork, an online tool which allows frontline staff to quickly log-in and see which other agencies are supporting shared clients.¹

At the same time, they have made their workforces more productive by introducing mobile technologies, route planning tools and video-conferencing. At a national level, councils have worked closely with central government to invest jointly in essential infrastructure such as reliable and fast broadband connections and the Public Services Network. For example, the national Tell Us Once project, which enables people to report on a birth or a death just once and has been implemented in over 90% of the councils, is delivering total benefits of £22 million annually.

The need to take advantage of such digital innovations has never been greater. Over the current spending review period, local government has suffered 40% cuts to its budgets. At the same time, demand on local services has been increasing inexorably as a result of the economic downturn, an ageing population and increasing numbers of 0-5 year-olds. People's expectations are also changing rapidly with users increasingly demanding 24/7 access to public services by a range of digital means – phone, TV, computer and in the future by new technologies we cannot even imagine yet.

Wider public service reform – especially making more services available online, collaborating and data-sharing across organisations – is driving ever more people online. This can only be successful if it is underpinned by a high-quality, affordable and geographically equitable digital communications infrastructure that citizens and businesses are also supported to use.

¹ For more examples about how councils are using digital technology as an enabler of growth and other social outcomes, and how this is improving the quality of public services and saving money for the taxpayer, please see the LGA publication "Transforming local public services: using technology and digital tools and approaches." <http://tinyurl.com/og33tb4>

Digital communications infrastructure as an enabler of growth and more

From world-beating multi-billion pound businesses to R&D crucial for the nation's economic future taking place in science parks and universities, thriving gaming and creative industries and England's booming visitor economy, the consultation document rightly highlights that digital communications infrastructure is a key enabler of economic growth. Nearly every council and LEP plan for local growth emphasises the importance of superfast broadband and other digital infrastructure to attracting and retaining businesses of all sizes, helping to create local jobs and improving competitiveness.

We would like more emphasis to be placed on its critical importance to driving *local* economic growth and recognition that digital needs will vary between places depending upon the economic, social and geographic characteristics of that place. For example, the digital needs of Cornwall, with its less dense population, communities still lacking any internet access, and clusters of creative and cultural industries, will be very different from urban places where the focus might be on ultra-fast broadband connections and improving public Wi-Fi access in city and town centres.

In particular, there is significant potential to boost growth by encouraging more small businesses to get online. SME businesses account for 99% of all private sector businesses in the UK, 59% of private sector employment and 48% of private sector turnover. According to Go-On UK, the UK online skills alliance, only one-third of SMEs sell products or services online. The more digitally enabled a company is, the faster it tends to grow, and people in the UK are twice as likely as the OECD average to buy goods online.² Public Wi-Fi networks in places with high footfall – such as shops and tourist attractions – can also help to attract visitors and encourage people to stay longer and spend money in the local area.

For example, Cambridgeshire has positioned itself as a leading base for new high-tech and IT companies, and meeting the digital needs of those businesses is at the heart of the Connecting Cambridgeshire strategy. Birmingham's Enterprise zone is developing digital infrastructure to facilitate affordable access to superfast broadband that will assist businesses operating in the IT, creative and digital sectors in Digbeth, Eastside and the Jewellery Quarter. The Humber LEP has prioritised digital connectivity to support the region's growing reputation for creative and digital entertainment and gaming innovation. Good access to broadband is one of the top five reasons why businesses locate to Camden.

Equally, it is a significant barrier to local growth and productivity that some rural communities, and even parts of some cities and towns, still do not have a reliable superfast broadband service, let alone the ultra-fast service that the most advanced businesses require. Farmers living and working in the most remote parts of the country sometimes have to drive for miles to be able to get the internet access they need to complete online forms. Even some Enterprise Zones have been unable to secure decent broadband access for their businesses. This also means that people living in these communities are unable to access vital services online or benefit from cheaper prices online. Households are missing out on estimated savings of £560

² Go On UK <http://www.go-on.co.uk/challenge/uk-snapshot>

per year from shopping and paying bills online. Given the pace of technological change, there is a real risk that the digital divide will become unsurmountable, and closing it must be an urgent priority for the strategy.

While the publicly funded superfast broadband programme and the 4G rollout will go some way to closing the gap, by the end of the programme in 2017, around 5 per cent of the country will still be without superfast broadband. Given that these very rural communities are often the type of places where people want to set-up small home-based businesses, and that also depend upon tourism for local jobs, a priority must be to bring affordable digital connectivity to those places as soon as possible. It is encouraging that the government is running a £10 million competitive fund to develop innovative fixed, wireless and mobile broadband solutions that will reach the final 5% of premises in the most isolated places. It is essential that the solution developed is replicable, cost effective for councils and that there is proper competition.

The consultation document seeks views on the future of copper networks, how to encourage people to switch to non-copper based broadband services and how to manage a future switch off so that people were not left without a communications service. It is vital that people living in rural communities have reliable and affordable access to an alternative communications service before the copper network is switched off. Councils can help to manage the transition. However, as the document highlights, this has implications for life and limb access to emergency services.

We also believe that the consultation document does not give enough emphasis to the importance of access to a fast and reliable internet connection for wider public service reform and the many other ways in which digital communications infrastructure can help to overcome some of the biggest and costly public policy challenges that this country faces.

As well as driving economic growth, superfast broadband is essential to deliver a number of national programmes of transformation including enabling people to claim Universal Credit online, to support a more flexible and integrated health and social care workforce that can make use of telecare and other digital innovations in patient care, and enabling the data sharing that is required to support families and people with complex needs across organisations in a coordinated and timely way.

A number of councils have also developed innovative approaches to supporting particular customer groups which also depend on superfast broadband. For example, East Riding of Yorkshire Council and Central Bedfordshire Council with Cambridgeshire County Council piloted the use of digital technology to tackle loneliness amongst older residents with the result that 43% reported an improvement in happiness and 38% reported an improvement in quality of life. Birmingham City Council reduced rent arrears by £134,000 year-on-year through a new triage process and “digital log books” as part of its Universal Credit pilot work.

The London Borough of Camden’s digital strategy highlights how digital technology can help the council to achieve its core objectives of reducing inequality, driving

economic growth, ensuring sustainable neighbourhoods, and delivering value for money.³

The role of local and central government

As we have highlighted above, local government and local delivery bodies already play a vital role maximising the benefits of digital communication, and this will continue beyond 2015. Councils are joining-up the broadband rollout with efforts to encourage people and businesses to get online, and wider public service transformation. Through their leadership of economic growth, and partnerships with LEPs, councils are best-placed to know the digital needs of their businesses and to put in place solutions that drive local growth sectors and support the local workforce.

Councillors also have the democratic mandate to weigh up the tensions that can sometimes exist between those who want to access the latest technology and concerns about, for example, the impact of 50 foot high mobile phone masts, or street cabinets in conservation areas, on the quality and attractiveness of the local environment. This is particularly important with taking forward the government's Mobile Infrastructure Programme. As digital communications infrastructure continues to develop, we need to ensure that strong local government engagement still enables people's different views to be taken into account and solutions put in place that are right for that place.

Responsible for delivering an estimated 80% of public sector transactions in their areas, councils also have a particular obligation to design their services in the most accessible, economic and 'user-friendly' way, and a vital role to work closely with other public, private and voluntary sector partners to ensure that local services are built around the citizen rather than the needs of service deliverers. At a time when public services face fundamental challenges, technology and digital tools and approaches are central to achieving all of this. For councils and their partners, these tools can enable:

- a deeper understanding of local patterns of need and interaction with government, allowing resources to be managed, planned and directed to where they will have the greatest impact
- more effective management of demand – for example, enabling user self-service and supporting peer-to-peer advice-giving and assistance via social media
- more reliable, speedy, and precise handling of routine, repetitive tasks – allowing costly and scarce professional expertise to be targeted at cases which need judgement or at new and unexpected situations
- faster access to, and sharing of, data between councils, customers, and partner organisations, avoiding the need to collect the same information many times over and saving time on research and information collation
- new ways of working that potentially reconcile the goals of providing a better quality of customer experience while cutting costs.

Councils can also ensure that digital ambition is embedded in infrastructure planning for a place alongside planning, growth, transport and housing. Councils will continue

³ London Borough of Camden Digital Strategy <http://tinyurl.com/qjorpwy>

to provide local strategic leadership, making the links to LEPs and driving locally-led innovation, but in a continued climate of austerity, it is vital that government is creative in how it approaches funding the digital communications infrastructure of the future. Given the funding pressures facing councils, it will be very difficult, if not impossible, for local government to match-fund future infrastructure to the extent that they did for the superfast broadband rollout. Wherever possible, the private sector should be incentivised to invest in and develop digital infrastructure. We also need to think differently about engaging other partners. For example, encouraging developers to design-in digital connectivity in new housing and partnering with Universities.

The potential of a world-class digital communications infrastructure will only be realised if citizens and businesses actually use it. Funding and making available the infrastructure is just one part of what we need to do. The take-up rate of broadband and other publicly funded digital infrastructure is also central to ensuring that citizens, customers and businesses get value for money from investment. There will always be some people who – for a variety of reasons – cannot afford the necessary kit, or lack the skills to use the latest digital technology. 80% of government interactions are with the bottom 25% of income earners, who are least likely to have the internet. These people must not be left behind. Councils are already playing an important role to help people develop digital skills. From nurturing digital skills in community centres and libraries, to partnering with housing associations and IT social enterprises to offer affordable broadband kit, extending free public Wi-Fi access in community settings, training volunteer digital champions to support older people and computer coding in schools, we must continue to ensure that everybody is supported to benefit from new technology now and in the future.

We also believe that central government has an important leadership role to play. Many of the government's wider public service ambitions depend upon digital infrastructure. The resulting strategy must join-up with existing cross-government plans, and the coordinating role of Government Digital Services, so that there is a joined-up approach to this agenda. We need government to champion a regulatory framework that ensures proper competition and removes the cost barriers to citizens and businesses accessing broadband. Government can also help to ensure that councils and local delivery bodies have the necessary information to measure take-up of broadband so that support to encourage take-up can be targeted.

We are encouraged by progress in some places with how Broadband Delivery UK is working with councils and positive partnerships between central and local delivery bodies will continue to be important. Finally, the potential of digital infrastructure to enable the data and information sharing that underpins public service integration and transformation depends upon government genuinely committing to, and removing the barriers that get in the way, of locally-led service transformation.

Regulation and the role of OFCOM

We must learn the lessons from the publicly funded broadband rollout. Progress was severely hampered by long delays while state aid clearance was secured, the national procurement framework put in place and attempts to stimulate competition faltered.

Value for money is an on-going concern for councils. BT was the only active supplier in the National Broadband Procurement Framework, and there was not the competition which government expected that would drive down costs. Some cost controls were secured, but reports from the National Audit Office and Public Accounts Committee were very critical of the Government's failure to secure greater transparency over BT's costs (especially the labour component of capital costs). This meant that councils were at a disadvantage in contractual negotiation. We also need to ensure that BT makes available timely take-up information, so that councils can target interventions to develop digital skills and ensure value for money, and detailed rollout plans so that suppliers in the future phases of the rollout have the information they need to develop their own plans and competition is promoted. Addressing concerns about BT is of paramount importance to councils.

The structure of the telecommunications market, and BT's dominant place within it, presents further challenges. BT Openreach is run separately to the rest of the BT Group, and manages the local network or "last mile" between the local BT exchange and the phone socket, or fibre termination point in a home or business. This matters because it means BT Openreach controls access and pricing of the fixed infrastructure required to extend access to superfast broadband by Fibre to the Cabinet and Fibre to the Premises.

OFCOM, the independent regulator, requires BT Openreach to allow wholesale competitors to access BT's physical infrastructure. However, OFCOM has been criticised for allowing BT Openreach to set its wholesale price too high, so that it is not profitable for alternative suppliers. Despite trials, so far no provider has actually deployed new network assets using this access.⁴ BT's dominant position is further strengthened by the fact that broadband customers need to have an active BT landline and pay line rental, thus tying in new customers to a combined phone and broadband package. There is no technical reason for this requirement and it is a significant barrier to local efforts to close the digital divide.

The recent lowering of data roaming charges for consumers who use their mobile phones abroad has shown the positive role that regulation can play in ensuring that digital technology is priced fairly. The digital communications infrastructure strategy must be informed by a review of the role of OFCOM in ensuring proper competition and fair prices for consumers in the telecommunications market.

The Rural Community Broadband Fund was a £20 million fund to help 'hard to reach' communities get access to superfast broadband, but progress was stalled by the lack of disclosure of BT's plans, as projects could not prove that they did not overlap with the main rural programme. Barring a small number of outstanding applications, the fund was closed down in March 2014. It is essential that unspent funding is ploughed back into places through the rural rollout. Under the scheme, communities bid for 50% or more of the total sum required to rollout small-scale improvements to broadband infrastructure.

A new EC directive specifying measures to increase deployment of infrastructure and cut deployment costs by making it easier to share infrastructure is welcome and

⁴ National Audit Office, The Rural Broadband Programme <http://www.nao.org.uk/report/the-rural-broadband-programme/>

we urge Government to ratify it as soon as possible, but it is too late to reduce costs for the majority of councils who have already signed contracts.

Future technologies and funding models

We strongly agree with the consultation document's assertion that encouraging investment in infrastructure over the next 10 – 15 years will be a key consideration of any strategy. We have already stated that we must reduce reliance on ever scarcer public sector resources. We need to support rural businesses and communities to make the investment case to private sector providers and developers for the economic benefits of extending broadband infrastructure (and future technologies) to the final 5%, so that the commercial market is stimulated.

Rural communities are just as vital as cities to this country's future economic growth. Non-metropolitan areas account for about half of England's economy and are home to some of our most successful global businesses, as well as thriving small and medium sized enterprises, science parks and Universities undertaking R&D crucial for the nation's economic growth. There are also new customers for businesses to access if those people were connected to the internet. Councils, LEPs and other sub-regional arrangements will play a crucial role in making the arguments that better captures the value of rural connectivity (from businesses and consumers), but we need to be backed-up by a strong government voice.

The consultation document highlights the multitude of factors that inform investment decisions. We need to explore different ways in which government can help to incentivise private sector investment and support innovative funding models for the rolling out of future digital infrastructure. For example, housing developers in rural communities without internet access could be required through amended housing standards to ensure that fibre to the premises is built into new homes. We need to be sure that we are making the best use of existing infrastructure. For example, the Department for Transport has laid fibre optic cable underneath the strategic road network as it has carried out repairs and built new roads. Could this help to connect-up rural communities?