

# Evaluation of the Connecting Cumbria Phase 1 Programme

Final Report

30 September 2015

**SQW**



# 1. Introduction

## The programme

- 1.1 Connecting Cumbria is a c. £48 million programme, funded by Cumbria County Council (CCC), the Department for Culture Media and Sport via Broadband Delivery UK (BDUK), the European Regional Development Fund (ERDF) and BT.
- 1.2 The programme aims to provide 93% of properties in the county with access to superfast broadband by the end of 2015. The remaining properties should have access to a minimum broadband speed of 2Mbps by the end of the programme.
- 1.3 Additionally, a package of direct business support has been implemented, co-funded by ERDF and delivered by Commendium, in order to help ensure that Cumbria's businesses start reaping the economic benefits of faster broadband connectivity as quickly as possible.

## Evaluation methodology

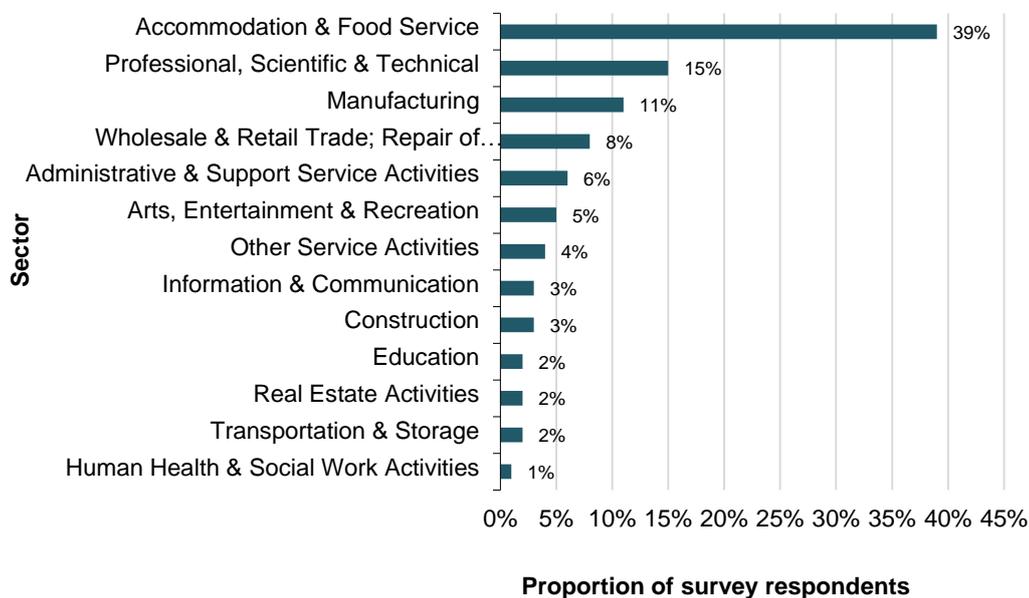
- 1.4 SQW was commissioned to undertake an evaluation of phase one of the programme. Our evaluation has taken a holistic view of the rationale for, inputs to, activities, and intended outputs/outcomes/impacts of the overall Connecting Cumbria programme, within which aspects of particular relevance to ERDF can be separately highlighted (i.e. the aspects related to business beneficiaries).
- 1.5 This evaluation has drawn on the following research strands:
  - consultations with 12 key stakeholders (see Annex A)
  - a survey of 200 businesses in Cumbria who received business support from Commendium
  - analysis of the latest programme monitoring data as of the end of August 2015
  - the development of a model, to estimate the net economic, social and environmental impacts of the programme.

## *Details of the business survey*

- 1.6 SQW commissioned Qa Research to carry out 200 telephone interviews with businesses in Cumbria to obtain their perceptions of the actual and potential benefits of the intervention using an agreed questionnaire developed by SQW. The sample was drawn from the database of businesses that had benefitted from Commendium support.
- 1.7 Summarising the profile of the 200 respondents:
  - Collectively they employ c. 1,040 employees
  - 89% have fewer than ten employees
  - 93% operate from a single site

- They operate in a variety of sectors, the most common being accommodation and food services (39%), professional, scientific and technological activities (15%) and manufacturing (11%) – see Figure 1-1 below.

Figure 1-1: Sectors of business survey respondents



Source: SQW Business Survey (Base = 200)

## Report structure

1.8 This evaluation report is structured as follows:

- section 2 sets out the context for the programme, assesses its rationale and objectives, and summarises the intervention logic model
- section 3 presents an assessment of the programme's performance versus the expected expenditure profile, and assesses the programme's governance and management
- section 4 is our assessment of the infrastructure roll-out aspects of the programme
- section 5 is our assessment of the business support element
- section 6 provides our estimates of programme impacts over the period to 2024, and also assesses the programme's value for money
- section 7 summarises our conclusions and recommendations.

1.9 There are two annexes:

- Annex A lists the stakeholders consulted for this evaluation.
- Annex B provides further information on the programme governance arrangements.

## 2. Context, rationale, objectives and logic model

### Context and rationale for intervention

#### **UK market context**

- 2.1 The UK was one of the most successful countries in rapidly extending broadband availability to a near-ubiquitous coverage level – achieving c. 99% coverage of first generation broadband (of at least 0.5Mbps) by the end of 2005. However, after a period in which broadband had been perceived to be ‘problem solved’ by some, it has now re-gained a high profile as a policy area with the emergence of a new digital divide – again, primarily between urban and rural areas.
- 2.2 Virgin Media (which now owns the Smallworld cable network in Carlisle) has been at the forefront of market developments, offering a new generation of ‘superfast’ broadband to households and businesses, using DOCSIS 3.0 technology – rolling out a 50Mbps service from December 2008, and more recently launching a 150Mbps service which is now available across their cable footprint (about half of the UK). Under its competitive strategy, the company has repeatedly upgraded the bandwidths of existing customers; most of Virgin’s broadband customers are now using bandwidths of 30Mbps or more, and 40% of their subscribers are using services of 100Mbps or more. The company has also announced plans for a major expansion of its cable footprint – albeit this will primarily be in urban areas; and the company is rumoured to be trialling out a 300Mbps service.
- 2.3 BT responded with the introduction of Fibre-to-the Cabinet services (the maximum downstream bandwidths for which are now up to 80Mbps), and Fibre-to-the-Premises services (now offering speeds up to 330Mbps). The company invested about £2.5 billion in order to extend such superfast services to two-thirds of the UK through its commercial roll-out. In terms of future improvements, BT recently announced that it expects to roll-out G.FAST services over the next decade to ‘most homes’ in the UK, which should provide speeds of up to 500Mbps.
- 2.4 However, with a high overlap between BT and Virgin Media coverage areas, this left about a third of the UK with little prospect of fixed-line superfast broadband through normal market forces, and facing an ever-worsening digital divide. The unit costs of rolling out infrastructure in areas of lower population density are much higher than those for urban areas, and there was little competitive pressure to do so.

#### **Cumbria market context**

- 2.5 As a particularly rural county with a dispersed population, the situation on superfast broadband coverage – in the absence of intervention - is considerably worse in Cumbria than the UK average.
- 2.6 As of Ofcom’s data for summer 2013 (i.e. before the start of the intervention), Cumbria ranked 176<sup>th</sup> out of 200 local authority areas for superfast broadband availability, with only 26% of

premises in the county able to obtain superfast services at that stage, and about 16% of broadband connections giving less than 2Mbps download speeds.

### **Policy context, and the programme**

- 2.7 Policy makers at European, UK and local levels have recognised that this new digital divide is unacceptable, and would constrain socio-economic development.
- 2.8 It is increasingly apparent that the ongoing improvements to the quality of broadband infrastructure and services are having important economic impacts. For example, in the [UK Broadband Impact Study](#) for DCMS, SQW estimated that faster broadband speeds will add about £17 billion to the UK's annual Gross Value Added (GVA) by 2024. The bulk of this economic impact comes from improvements in the productivity of broadband-using firms, but there are also significant benefits from safeguarding employment in areas which would otherwise be at an unfair disadvantage, from productivity-enhancing time-savings for teleworkers, and from increased participation in the labour force of carers and disabled people.
- 2.9 In recognition of such important impacts, policy makers have set demanding targets for ensuring that the benefits of better broadband are not restricted to the most densely populated areas.
- 2.10 At a European level, the Digital Agenda for Europe sets out the goals of extending 30Mbps connectivity throughout Europe by 2020, with 50% take-up of services of 100Mbps or more.
- 2.11 The UK Government's objectives for broadband have evolved over the last few years: initially setting a target for 90% coverage of superfast (24Mbps+) services, which has since been increased to 95%. This has been taken further in the March 2015 budget, in which the Chancellor of the Exchequer set out an aspiration to extend ultrafast (100Mbps+) services to 'nearly all' premises in the UK.
- 2.12 Policy-makers in Cumbria have long recognised the importance of high quality broadband for the county's socio-economic development, and have implemented a series of targeted interventions over the last several years in areas of market failure.
- 2.13 For Phase 1 of the Connecting Cumbria programme, CCC pulled together a major package of funding, including a total investment of about £48 million. This package included UK Government (BDUK) funding of £17.1 million, CCC funding of £6.7 million, European Structural Funding of £15.4 million, and BT funding of £8.9 million.
- 2.14 The capital expenditure of the programme amounts to around £45 million. After a competitive dialogue process, Connecting Cumbria awarded a 'gap funding' infrastructure contract to BT, which aims to ensure that at least 93% of properties in Cumbria have access to superfast broadband services by the end of 2015, and with at least 2Mbps services available to all. This involves rolling out infrastructure (mostly FTTC) past more than 100,000 premises in the county, including over 12,450 ERDF-eligible SMEs in white areas.
- 2.15 The revenue expenditure of the programme amounts to £3.36 million. This is primarily associated with a business support programme with ERDF-eligible SMEs across Cumbria,

delivered by Commendium. A target of 1,973 business assists was set for this aspect of the programme.

### **Rationale for intervention**

- 2.16 Our assessment is that the rationale for Connecting Cumbria, as a publicly-funded intervention in the broadband market, is strong in that it:
- improves the socio-economic efficiency of the broadband market by addressing **'externality' market failures** (spillover economic and environmental benefits are not factored into telcos' roll-out decisions, which are predominantly driven by household demand)
  - addresses **information-related market failures** in SMEs, which may not have sufficient resources to research and understand the benefits of adopting superfast broadband, and of how best to realise these benefits in their business operations
  - mitigates an unacceptable digital divide **inequity** for SMEs and communities in less densely populated areas of Cumbria.

### **Programme objectives**

- 2.17 According to the ERDF full application form, the project is:

*'an integrated initiative to provide superfast broadband infrastructure access alongside business support to ensure eligible SMEs capitalise upon the new processes available in the digital economy. This extends from the advantages that higher speed connections offer in terms of communication and promotion, to the availability and use of new, specialised business software.'*

- 2.18 The project aims to deliver a step change in the extent to which eligible SMEs in Cumbria access and exploit superfast broadband. This is underpinned by the following core targets, as set out in the ERDF Grant Funding Agreement:<sup>1</sup>

- 1,973 businesses assisted to improve their performance
- 760 businesses with improved Gross Value Added (GVA) performance
- 145 jobs created
- £8.5 million created in GVA.

- 2.19 The project also has a number of other targets:

- one website service available
- 562 superfast broadband (SFBB) activated cabinets
- 12,450 ERDF-eligible SMEs in white areas with access to SFBB

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<sup>1</sup> As set out in the Connecting Cumbria Grant Funding Agreement.

- 4,191 ERDF-eligible SMEs in white areas taking up SFBB
- 294 SMEs taking up SFBB in white areas attributable to the business support project
- 143 SMEs taking up SFBB in black and grey areas attributable to the business support package.

2.20 These targets appear to be broadly appropriate to us, but we note the following:

- The jobs created and GVA targets above are measured simply by looking at the employment and GVA of business support beneficiary firms before and after intervention. As such they are *gross* (rather than net) numbers, and are not a particularly meaningful measure of the impact that can be attributed to the intervention.
- As the core targets were focused on the business support aspects of the programme, they missed the point that the bulk of the ERDF funding's economic impact will be through enabling thousands of Cumbrian businesses to improve their productivity – as a result of the substantially improved availability of superfast services.
- The target of more than 12,000 ERDF-eligible SMEs in white areas being passed by superfast services looks unrealistically high to us, given that there were approximately 22,000 VAT/PAYE enterprises in the whole of Cumbria as at 2014 according to [Cumbria Observatory data](#), and given that there are approximately 13,000 'non-residential delivery points' in the Codepoint file for Cumbria.

2.21 Beyond the ERDF funding agreement, a key objective for the programme (and arguably its most important target) concerned overall levels of premises coverage – including households as well as businesses. Here, the specific target has been somewhat ambiguous:

- The Local Broadband Plan stated: *"The objective of the project is to deliver superfast broadband to the greatest extent across the whole of Cumbria."*
- The ERDF funding application said: *"...ensuring that at least 90% of Cumbria has broadband infrastructure capable of delivering speeds in excess of 30 megabytes [sic] per second (mbps)"*
- The [Connecting Cumbria Strategy for 2011 to 2015](#) said: *"Our ambition is that at least 90% of properties in the county have access to Superfast Broadband [25Mbps+] by 2015."*
- The BT press release following contract signature said: *"Fast, affordable fibre broadband is set to become available to around 93 per cent of Cumbria homes and businesses by the end of 2015"*.
- The [Connecting Cumbria newsletter](#) of December 2012 said: *"Under the contract 93% of properties will have access to superfast services (30Mbps)"*.
- The BDUK funding agreement says: *"Over 93% of Cumbria properties to have superfast broadband services."*

- The Connecting Cumbria website currently says: “*Connecting Cumbria is a project to bring superfast broadband to 93% of homes and businesses in the county by the end of 2015.*”

2.22 The distinction between ‘fibre broadband’ (as in the BT press release) and ‘superfast broadband’ is a critical one, as not all customers with fibre-based services will be able to obtain superfast speeds. Similarly, the distinction as to whether ‘superfast’ means 30Mbps or 24Mbps is important. We suggest it will be necessary to avoid such ambiguities in future phases of the programme, in order to ensure that public expectations are aligned with the actual plans.

## Logic model

2.23 In evaluating a publicly-funded intervention, it is good practice<sup>2</sup> to develop a ‘logic model’ which explicitly articulates the context and rationale for the initiative, and describes the relationship between the inputs, activities, outputs, outcomes, and impacts.

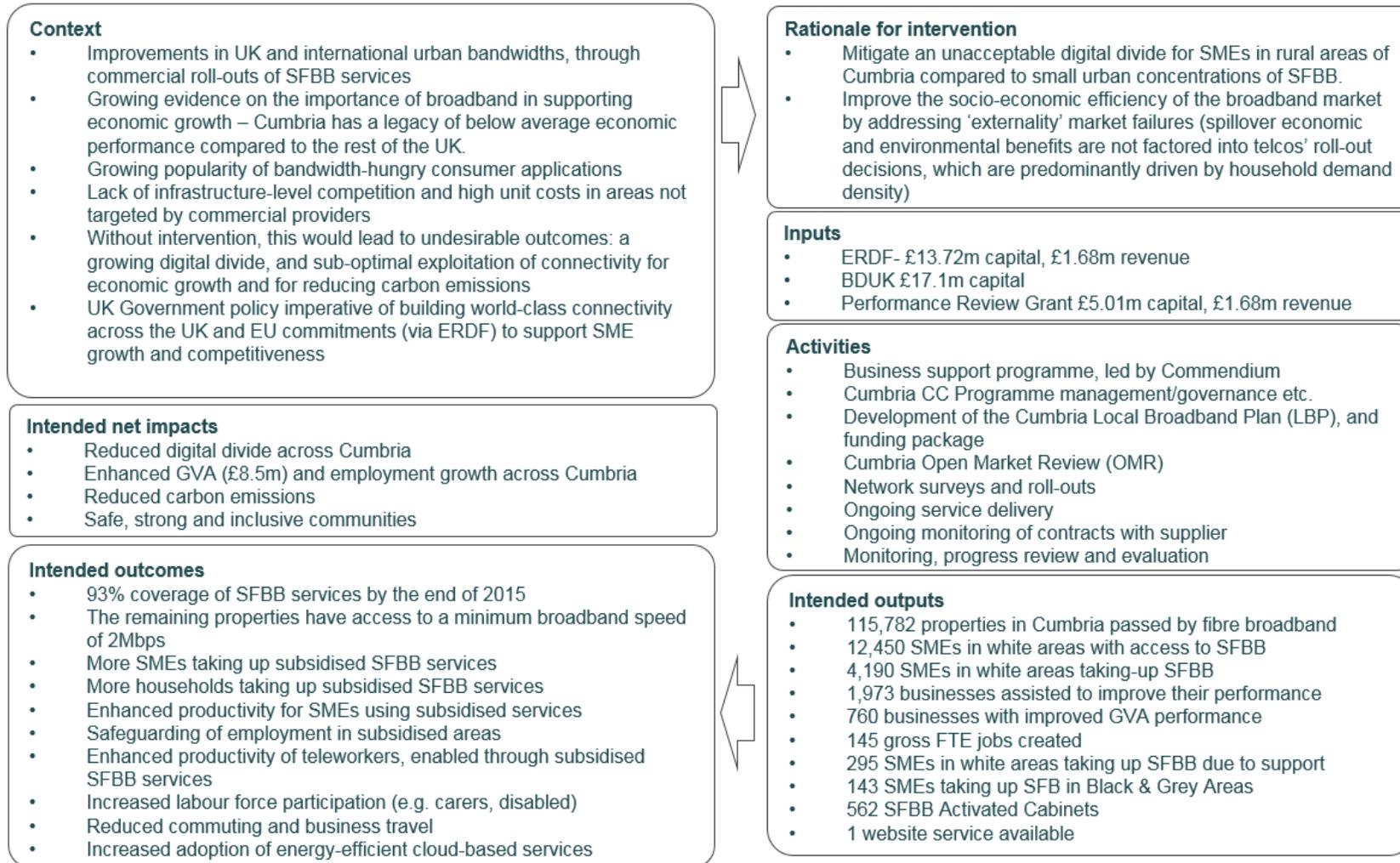
- inputs are the resources used by the intervention.
- activities are those tasks undertaken by the intervention.
- outputs are the readily measurable results of those activities.
- outcomes are the benefits attributable to the intervention for its direct beneficiaries.
- impacts are the wider benefits to the economy/society attributable to the intervention.

2.24 A logic model for the Connecting Cumbria project is presented in Figure 2-1. In developing this, the evaluation team has taken a holistic view of the Connecting Cumbria project, within which the aspects of particular relevance (and/or attributable) to the ERDF investment can be separately highlighted. Therefore, the model covers both the capital (infrastructure) and revenue (business support) elements of the project and takes account of investment that will occur beyond the ERDF or BDUK expenditure deadline.

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<sup>2</sup> As recommended in HM Treasury’s *Magenta Book*  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220542/magenta\\_book\\_combined.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220542/magenta_book_combined.pdf)

Figure 2-1: Connecting Cumbria logic model



Source: SQW analysis of programme documents, 2015

## 3. Inputs, governance and management

### Programme inputs

- 3.1 The total budgeted programme funding over the period to the end of the BT contract amounts to £48.1 million<sup>3</sup>, as set out in the table below.

**Table 3-1: Connecting Cumbria funding profile**

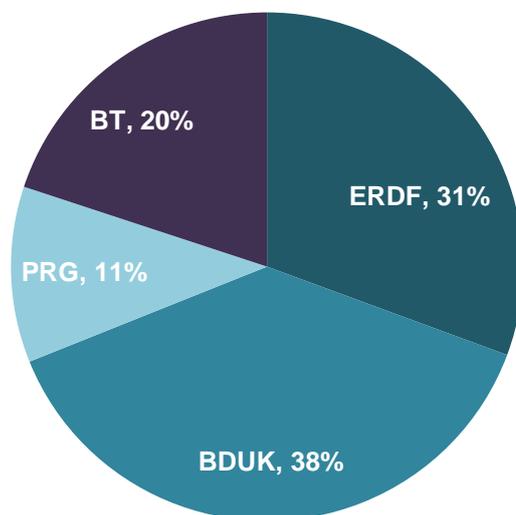
Funding source	Capital expenditure (£m)	Revenue expenditure (£m)	Total (£m)
BDUK	17.1	0	17.1
ERDF	13.7	1.7	15.4
CCC's Performance Reward Grant (PRG)	5.0	1.7	6.7
BT	8.9	0	8.9
<b>Total</b>	<b>44.8</b>	<b>3.4</b>	<b>48.1</b>

Source: Connecting Cumbria

### Capital expenditure

- 3.2 The total capital cost of the Connecting Cumbria programme over the period of the contract with BT is £44.8 million. Before the recent release of underspend, the ERDF element of the programme was 31% of the overall capital funding, at approximately £13.7 million.

**Figure 3-1: Breakdown of original capital expenditure funding – total budget £44.8 million**

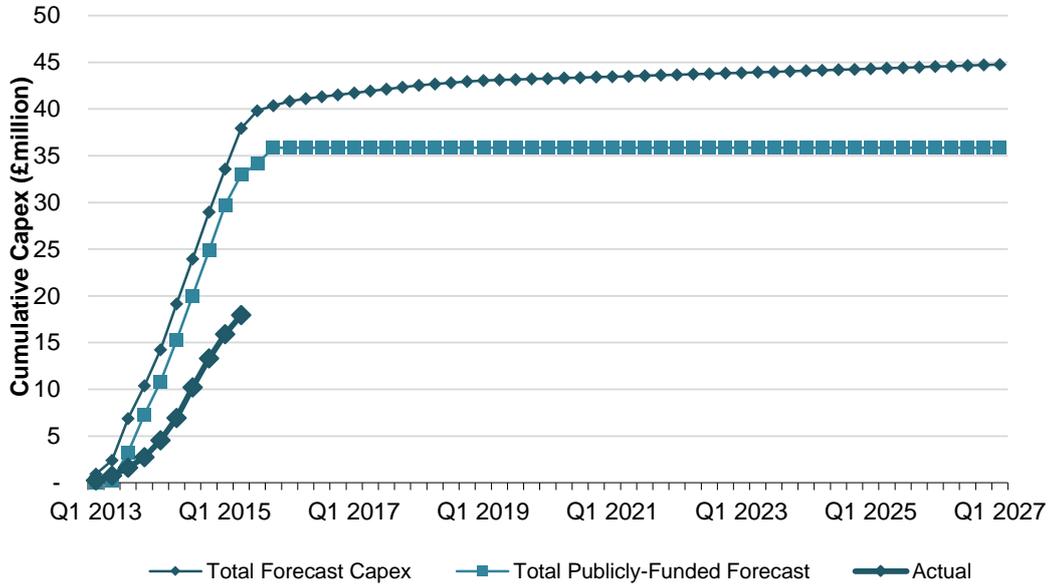


Source: BT Project Model

<sup>3</sup> Figures quoted here are before the release of £1.6 million back to ERDF, agreed in June 2015, as a result of the actual capital expenditure requirement being lower than originally expected. This was fully allocated to ERDF as funder of last resort.

3.3 As of June 2015, the actual claimed public funding stood at 53% of the budgeted cumulative amount to date, as illustrated in Figure 3-2 below (£17.9 million actual versus £34.1 million budget).

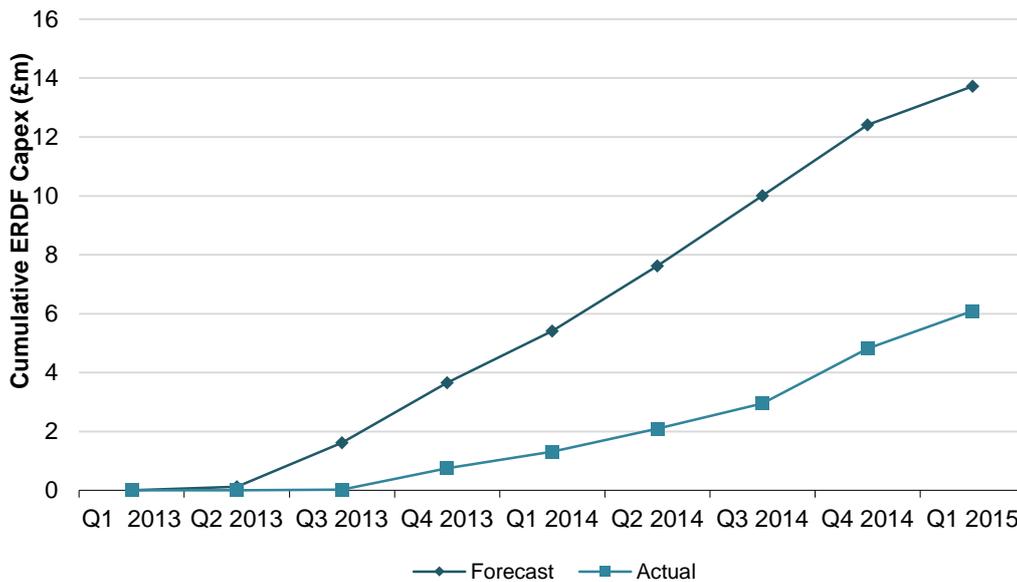
Figure 3-2: Cumulative capital expenditure (£m)



Source: BT Project Model & CCC Milestone Payment Claim (MPC) Summary

3.4 The ERDF funding is match funded through BDUK which results in a total ERDF package of approximately £27.4 million. Figure 3-3 shows that actual ERDF grant funding claims have fallen well below forecast to date. This is partly due to the costs of FTTC being less than originally anticipated, and partly due to BT being able to extend FTTC infrastructures to premises originally expected to be served by the (more expensive) FTTP solution.

Figure 3-3: Cumulative ERDF capital grant funding (£m)



Source: BT Project Model and ERDF Expenditure Grant and Outputs Summary

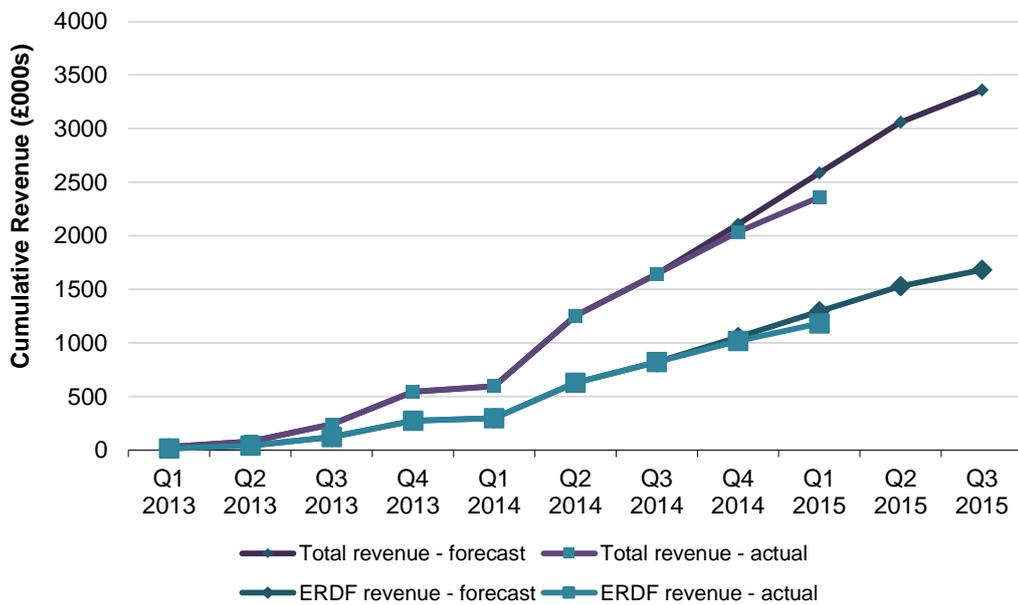
3.5 The programme team now expects that £10.9 million of the original £13.7 million ERDF capital funding will be used by the end of 2015.

**Revenue expenditure**

3.6 Revenue funding is budgeted at £3.4 million for the Connecting Cumbria programme. ERDF funding accounts for 50% (£1.68 million) of the total, and the remaining 50% is contributed by public match funding from PRG.

3.7 As illustrated in Figure 3-4, the actual total spend (and hence the actual ERDF grant) has been somewhat below the originally expected amount. As of June 2015, the total actual revenue expenditure had reached £2.4 million. This is due to the ineligibility of some project management costs. The programme team now expects £2.8 million to have been spent by the end of 2015 (corresponding to £1.4 million of ERDF revenue funding).

**Figure 3-4: Cumulative total revenue and ERDF revenue grant expenditure (£000's)**

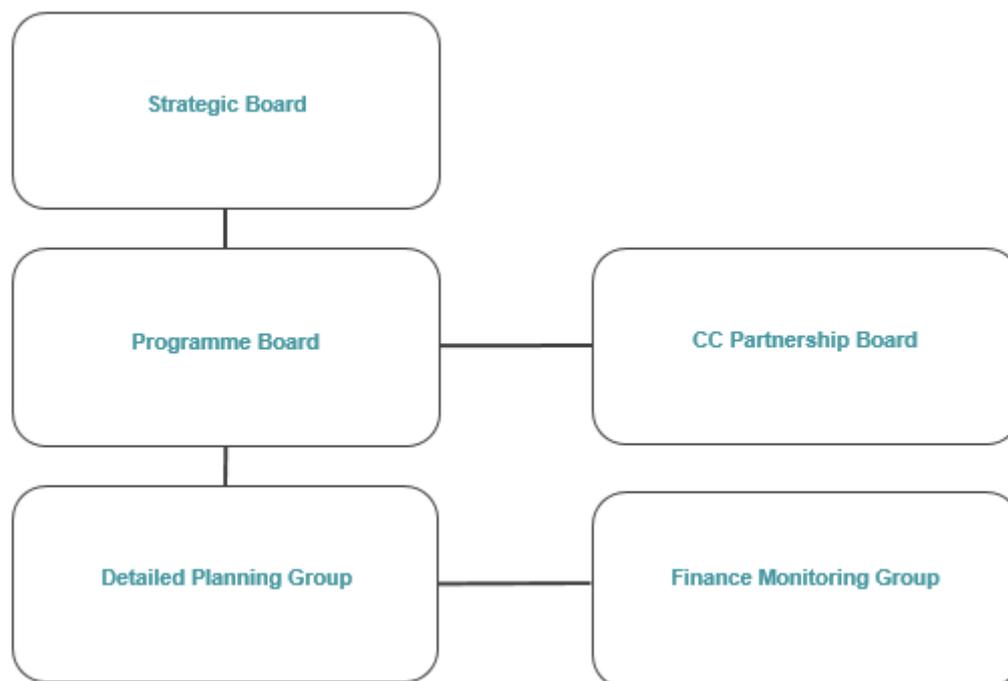


Source: Connecting Cumbria Monitoring Data July 2015

## Governance and management

3.8 The current governance of the Connecting Cumbria programme is illustrated in the chart below, and further information is given in Annex B.

**Figure 3-5: Connecting Cumbria governance structure**



Source: Connecting Cumbria Governance documents

3.9 The programme is overseen by three Boards:

- A Strategic Board – which meets quarterly, primarily to review the strategic performance of the Agreement in the last period, conduct an annual review of the strategic performance of the contract and give direction and guidance to the Strategic Deployment.
- Connecting Cumbria Partnership Board – which meets quarterly, enabling various partners across the county to provide feedback from their stakeholder group on the performance of the project.
- A Programme Board – which meets monthly, primarily to review the Contractor’s overall performance of the Agreement, review performance against grant terms and review project risk and issue logs.

3.10 The programme has been managed by Jonathan Harris since September 2014. He reports to the Senior Responsible Owner (SRO) for the programme, which is now Mike Smith (since June 2015). There are various regular meetings to manage progress, notably:

- Detailed Planning Group – a weekly meeting to review the weekly plan for roll out of service by post code and to agree variations to the plan, its impact upon delivery and mitigations.

- Finance Monitoring Group – a weekly meeting to review financial information regarding invoicing and receipt of grant payments, monitor spend against the project and report any issues to the Detailed Planning Group.
- 3.11 Various stakeholder consultees commented that the quality and effectiveness of programme management has been transformed since Jonathan Harris took on the senior programme manager role in September 2014. Prior to his arrival, there was seemingly a lack of trust between Cumbria County Council and BT which had resulted in a confrontational and ineffective working relationship. Jonathan has helped the council move past this by forming a productive working relationship with colleagues at BT, ensuring that meetings are being held on a regular basis with the correct personnel in attendance.
- 3.12 Notwithstanding these improvements, stakeholder views were mixed as to how well Connecting Cumbria’s governance arrangements have provided appropriate steer and oversight of the programme:
- Some of the consultees were of the view that the programme’s governance arrangements have been effective, with meetings held on a regular basis, and having the right mix of representatives. However, some other consultees felt that senior personnel from the council had not been sufficiently engaged in these governance meetings.
  - One stakeholder noted that attendance at Partnership Board meetings had varied throughout the programme, and suggested that interest had waned of late.
  - Some stakeholder consultees noted that whilst the programme has been managed effectively on the whole, the perceptions of local communities have not always been positive. Various local areas are still not connected to superfast broadband and remain unaware as to when this will become available. This lack of communication and information exchange has caused significant frustration and is one area where the programme could have been managed more effectively.
  - The programme’s website was considered to be underused, by some. One consultee considered that it remains in a poor state with very limited information available for households, businesses and communities to access. The stakeholder remarked that this could have been used as a central tool to disseminate information and ensure that communities are kept up-to-date with rollout plans.
  - On monitoring and administration requirements of ERDF funding, consultees noted that these had been onerous and time-consuming, but generally felt that they had been well managed by Cumbria County Council. At the start of the programme, however, there had been a mismatch between the expectations and delivery of outputs on the network roll-out. One stakeholder perceived this as being a symptom of the council not holding BT sufficiently to account at that stage, but another consultee considered that there had been unfairly poor perceptions of progress, as the phasing of the targets had not been re-scheduled to reflect delays beyond the team’s control (e.g. state aid approval). To some extent, this situation may well have been a result of Cumbria being a pilot programme – and therefore having to ‘find its

own way' in advance of the mechanisms for monitoring and reporting becoming more established.

## 4. Infrastructure roll-out

### Activities

4.1 Under the infrastructure aspects of the programme, key activities have included:

- procurement
- network roll-out
- financial management
- demand stimulation.

4.2 We discuss each of these briefly below.

### Procurement

#### *Contract for the roll-out of SFBB*

4.3 Cumbria County Council procured other ICT services at the same time that the Connecting Cumbria Programme was being developed. As a result, the Council decided that the most effective way to undertake the procurement of a number of projects was to run a parallel procurement exercise with a project office established to project manage the procurement process.

4.4 The procurement was undertaken under a competitive dialogue process, with an intention to limit the number of participants in the dialogue through selection via a Pre-Qualification Questionnaire (PQQ), and an Invitation to Submit Outline Solution (ISOS). Key milestones in this process included the following:

- OJEU notice issued – March, 2011
- 15 PQQs were received and evaluated, the top five were invited to the ISOS stage – May, 2011
- four outline solutions were received, three bidders were successful and invited to Submit a Detailed Solution (ISDS) – August to October, 2011
- two detailed solutions were received from BT Global Solutions and Fujitsu, and both bidders were invited to Submit Final Tender (ITFT) – February, 2012
- two final tenders were received from BT Global Solutions and Fujitsu – May, 2012
- with both submissions being non-compliant, CCC invited BT and Fujitsu to enter into a period of formal negotiations in order to secure and agree a contract which met the council's requirements
- the council sent letters to both BT and Fujitsu informing them of the decision to go to negotiation procedure; at this point, Fujitsu withdrew from the process - June 2012

- Open Market Review launched – August 2012
  - contract with BT signed – November 2012
  - confirmation of state aid compliance received from BDUK - January 2013.
- 4.5 As a pilot project, the start of Connecting Cumbria's procurement preceded the establishment of BDUK's formal Open Market Review (OMR) process. However, the programme's application for State Aid approval clarifies that the intervention area was initially defined using analysis previously undertaken for the NWDA, and then refined between March 2011 and August 2012 through dialogue with the bidders and other telecoms companies. A public consultation was launched in early August 2012 inviting any commercial operators to identify existing or planned coverage of superfast services, which in effect acted as the programme's OMR.
- 4.6 A number of stakeholders commented on the competitiveness of the procurement process, raising concerns about the lack of value for money. One consultee considered that it was an unbalanced contest which left CCC with very little negotiating power when dealing with BT, and that steps should have been taken to make this a fairer process. Suggestions for an alternative process included having a framework contract rather than a bespoke one, and spreading the work between competitors rather than relying solely on BT.
- 4.7 While the withdrawal of Fujitsu must have resulted in a lack of competitive tension in the negotiations, and lower bargaining power for CCC, there are various features of the procurement process which ensured that Connecting Cumbria still obtained reasonable value for money. In particular:
- the BT Project Model information sets out transparent expected costs and revenues for the infrastructure aspects of Connecting Cumbria, and includes information on Internal Rate of Return and payback
  - there are clawback mechanisms in the contract with BT, providing an 'investment fund' for further coverage extension in the event of actual capital expenditure being less than expected, or take-up exceeding the 20% assumed in the BT Project Model.

#### *Business support programme*

- 4.8 There was a separate procurement process for appointing a supplier of the business support programme. The key milestones in this process were as follows:
- At the September 2012 Cabinet meeting, officers were authorised to go out to the market to secure a supplier to deliver a Business Support Programme for eligible small and medium size employers (SMEs) throughout Cumbria.
  - Seven compliant PQQs were returned on 15th October and evaluated against financial, legal, equality and diversity, technical and social criteria. Six suppliers were invited to submit detailed tenders to be returned on 28th November 2012.
  - Five compliant tenders were returned and evaluated on the basis of a 65/35 quality /price ratio, against 26 technical questions. The questions covered the key elements of the programme.

- It was considered that all of the top three scoring suppliers could deliver the programme but Commendium Ltd submitted the strongest bid with the highest total score. Consequently, the contract with Commendium was signed in March 2015.

### **Network roll-out**

- 4.9 In the version of the BT Project Model supplied to the evaluation team (version 2.1, of April 2013), the network roll-out was projected to pass c. 104,000 premises with fibre-delivered services by the end of 2015:
- 82,353 with FTTC
  - 21,404 with FTTP.
- 4.10 However, the current agreed targets are for nearly 116,000 premises to be covered by Phase 1 (c. 113,000 covered by FTTC and c. 3,000 covered by FTTP).
- 4.11 The latter stages of the roll-out were planned to provide 'infill' for 8,167 premises in Cumbria still left with sub 2Mbps connectivity. It has since been decided that the originally envisaged technology for infill – Broadband Enabling Technology (BET) – would not provide good value for money. Instead the programme is utilising the £1.4 million allocated to BET in the Phase 1 contract to deliver more superfast services where speeds are currently under 2Mbps, leaving an additional £0.4 million to spend on the BDUK national satellite voucher scheme due to be launched later this year.
- 4.12 Stakeholder perceptions about the effectiveness of the infrastructure roll-out were broadly positive. Despite the fact that Cumbria has been one of the more challenging areas in the UK, with a large rural geography and many natural obstacles, a number of stakeholders highlighted that the programme will exceed its initial targets, with an underspend. BT is confident that they will meet their targets by the end of December and, as the costs of roll-out have come in below budget, underspend funding will be available to extend coverage to further premises. Additionally, the higher-than-expected take-up has led to the recent release of a £2.5 million 'gain share', under the contract's clawback mechanism, which will also be invested in further coverage.
- 4.13 However, one area of feedback received from households, communities and businesses was that there has been a lack of communication regarding rollout. In the opinion of some consultees, not enough effort had been put into updating communities as to when superfast broadband would become available, and this had been a major source of frustration and negative comment.

### **Financial management**

- 4.14 Significant effort has been put into the management of the infrastructure expenditure and funding, and in the processes around ensuring timely and robust drawdown claims on the grants from BDUK and ERDF.
- 4.15 The management of the ERDF-funded aspects of the programme has been particularly challenging: ensuring that ERDF funds are only used on 'eligible' expenditure, and that they are drawn-down within the timescales required for the 2007-2013 Operational Programme.

4.16 Part of the difficulty around the ERDF funding can be traced back to the North West Operational Programme for 2007-2013 not originally allowing for the funding of broadband infrastructure. As a result, the ERDF funds had to be positioned as solely for support of 'eligible SMEs', and very substantial restrictions were placed on what sectors were deemed to be eligible (excluding retail, financial services and agriculture, for example).

4.17 Our observations on this are as follows:

- The focus on existing recognised business premises **misses the point that the vast majority of new enterprises start in their founders' homes**. By excluding structures serving only residential premises, the constraints inadvertently reduced the extent to which ERDF will actually be helping to create new businesses in Cumbria in the future.
- The **constraints on what sectors are eligible appear to be over-restrictive**. For example, businesses involved in the retail sector have been excluded - which therefore excludes online retailers based in Cumbria selling to consumers around the world. This can again be traced back to the North West Operational Programme which explicitly referred to support being made available for *non-retail* SMEs.
- The process was rather **onerous and resource-intensive**. By insisting that individual cabinets should be assessed for eligibility, the ERDF funding created a large and unnecessarily complex administrative overhead for the programme team and for the selected supplier. In the case of the former, this makes less time available for the delivery of other value-adding activities, and in the case of the latter it is likely that extra costs and risk have been built into the offered solution because of the use of ERDF funds - i.e. reducing the coverage versus what would otherwise have been achieved with the same amount of funding with less onerous compliance requirements.
- The process provides '**spuriously accurate**' results. There are many businesses which are not covered by the Experian database (e.g. firms not registered for VAT), and we also note that the dynamic nature of the business base means that the numbers of eligible SMEs per cabinet will inevitably change over time.

4.18 Overall, we suggest that it would have been better if a more strategic approach had been adopted by DCLG/EC for determining and verifying the ERDF funding eligibility for programmes such as Connecting Cumbria. Rather than delving into cabinet-level detail, a higher-level analysis of the intervention area would have been simpler, lower cost and lower risk, providing better value for money and greater certainty of expenditure, while retaining an appropriate level of compliance verification. For example, a *maximum* level of ERDF aid intensity could have been assessed through an analysis of the *proportion of business sites* which are in eligible sectors/employment size bands (using IDBR data) in the intervention area; and the *agreed* ERDF aid intensity could have been applied to the programme's *total* capital expenditures.<sup>4</sup> In practice, we appreciate that the current process is applied to all ongoing ERDF-funded broadband programmes and it is too late, of course, for such a revised

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<sup>4</sup> Given the increasing prevalence of home-working, self-employment and home-based businesses, there will be business benefits for eligible SMEs through the project covering households as well as business sites.

approach to be used this time, but we do consider this to be a lesson worth learning for any future European funding of broadband interventions<sup>5</sup>.

### **Demand stimulation**

- 4.19 A key strand of the programme has been to ensure that households and businesses take advantage of the subsidised infrastructure as quickly as possible. Considerable thought and effort has gone into this, with the programme undertaking a variety of marketing activities to stimulate demand.
- 4.20 Work began in summer 2013 with a series of launch events, often with high-profile local people including MPs, councillors and key stakeholders, and accompanying press releases. June 2013 also saw the launch of the Connecting Cumbria website and brand development, with subsequent brand collateral produced in September 2013, including cabinet stickers, guarding rails and flyers. November also saw the introduction of two Connecting Cumbria-branded vans.
- 4.21 Since then, activity has included the following:
- Branding/marketing updates, including the introduction of Connecting Cumbria posters, flyers and leaflet drops, with leaflets setting out the steps on how to order SFBB, as well as direct mail campaigns.
  - Website updates, including online exchange 'hover maps' updated for each phase of roll-out as well as an online post code checker.
  - A series of further events and press releases, held in various locations across the county. A number of events held to mark major project milestones, for example a press release to mark 10,000 premises passed.
  - A range of stakeholder activity, including regular hub-coordinator meetings, community and parish meetings, and business breakfast meetings.
  - Openreach engagement with other providers, for example informing ISPs of exchanges and cabinets going live, as well as Openreach engineers distributing 'Fibre Broadband is Here' flyers and cabinet stickers.
  - Social media activity, including regular Tweets of service availability when each cabinet goes live, programme milestones, promotion of events and updates on programme activities.
  - A programme of engagement via the Digital Inclusion Programme, working with Hub Co-ordinators, Broadband Champions, Parish Councils and Area Teams to enhance social inclusion.
- 4.22 One issue that has been encountered in Cumbria, as elsewhere, is that businesses don't necessarily appreciate that they themselves need to do something in order to benefit from the

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<sup>5</sup> We note that the new [ERDF regulation](#) does explicitly allow for funding of broadband infrastructure to households as well as SMEs. But despite this, some of the restrictions from the previous programme appear to have been unnecessarily carried over into the [Operational Programme for England for 2014-2020](#), in which Priority Axis 2 (Enhancing access to, and use and quality of ICT) says that "Activities funded by European Regional Development Fund will target Small and Medium Enterprises to support local and regional economic growth".

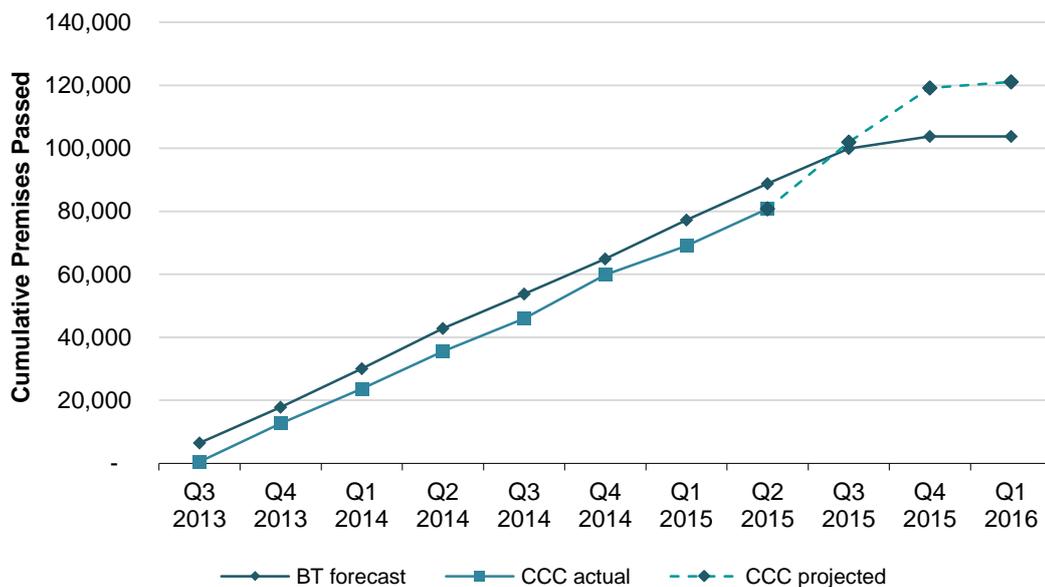
higher speeds (i.e. through upgrading their connection). This is now made explicit in the Connecting Cumbria literature and signage, and on the Connecting Cumbria website which, in the 'How do I get it' section says:

*The switch to fibre broadband is not an automatic one - you will have to contact an ISP to benefit from the service*

## Progress versus intended outputs

- 4.23 Figure 4-1 shows progress against premises passed targets for the programme. So far the roll-out has been broadly in line with forecast, albeit slightly under. As of the end of June 2015, total premises passed (TPP) stood at 80,783 (versus a target of 88,789).
- 4.24 Although the roll-out is entering the most challenging and costly stages – focusing on addressing Exchange Only (EO) lines, cabinets with high power costs, and FTTP structures – there is a high level of confidence in achieving the targeted roll-out volumes on time. Indeed, the programme team expects approximately 120,000 premises to have been passed by March 2016 with fibre-based services, versus the current target of 115,782. Given the scale and complexity of the engineering and operational challenge, this represents a great achievement for the BT/CCC team.

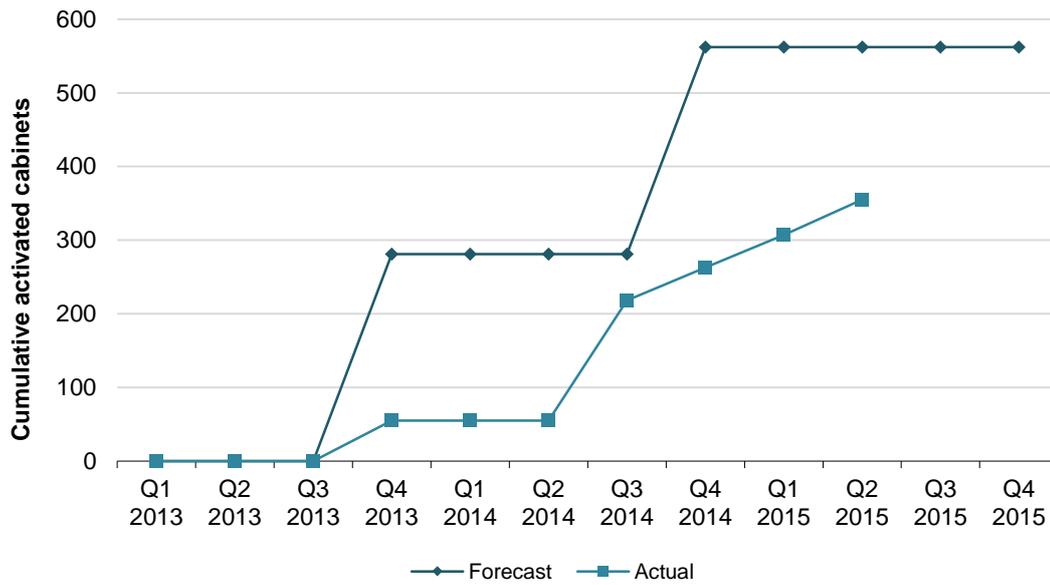
Figure 4-1: Cumulative premises passed



Source: BT project model and Connecting Cumbria project plan

- 4.25 In terms of the number of ERDF-eligible primary connection points (cabinets) that have been activated for superfast broadband connections, the programme appears to be below target at present. As shown in Figure 4-2, the programme had activated 355 ERDF-eligible cabinets as at the end of June 2015, versus the target of 562 by the end of 2015. However, the programme team expects 552 activated ERDF-eligible cabinets by the end of December 2015.

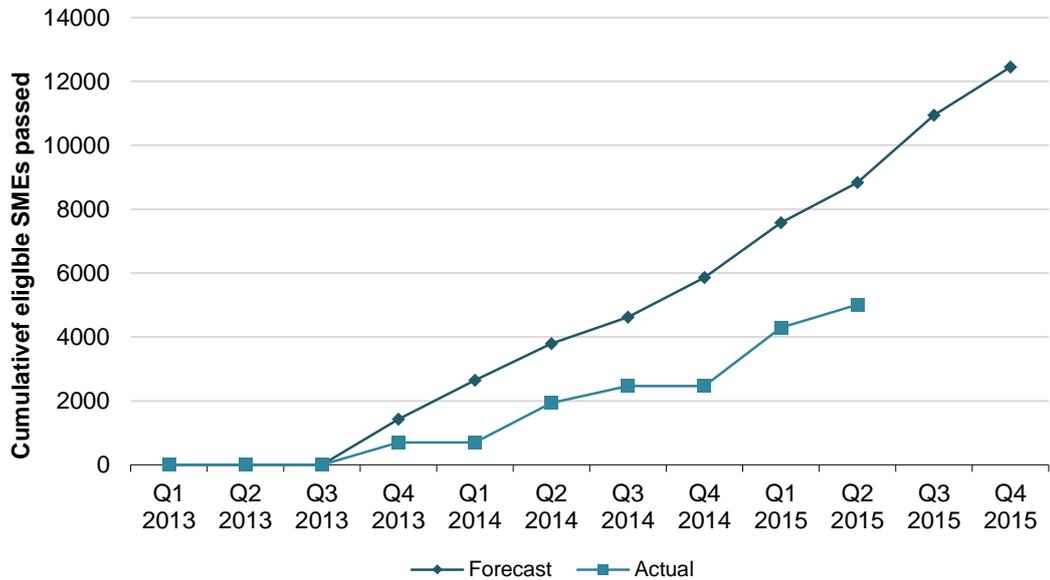
Figure 4-2: Cumulative ERDF-eligible cabinets activated



Source: Connecting Cumbria Monitoring Data July 2015

4.26 In terms of the number of ERDF-eligible SMEs passed by the subsidised infrastructure, the programme is also currently below target: Figure 4-3 shows that 5,015 eligible SMEs had been covered as at the end of June 2015, versus the target of 12,450 by the end of 2015. As previously noted, we suspect that the original target was unrealistically high. The revised expectation is for 8,500 ERDF-eligible SMEs to have been covered by the end of 2015.

Figure 4-3: Cumulative eligible SMEs passed



Source: Connecting Cumbria Monitoring Data July 2015

## Progress towards intended outcomes

### Coverage

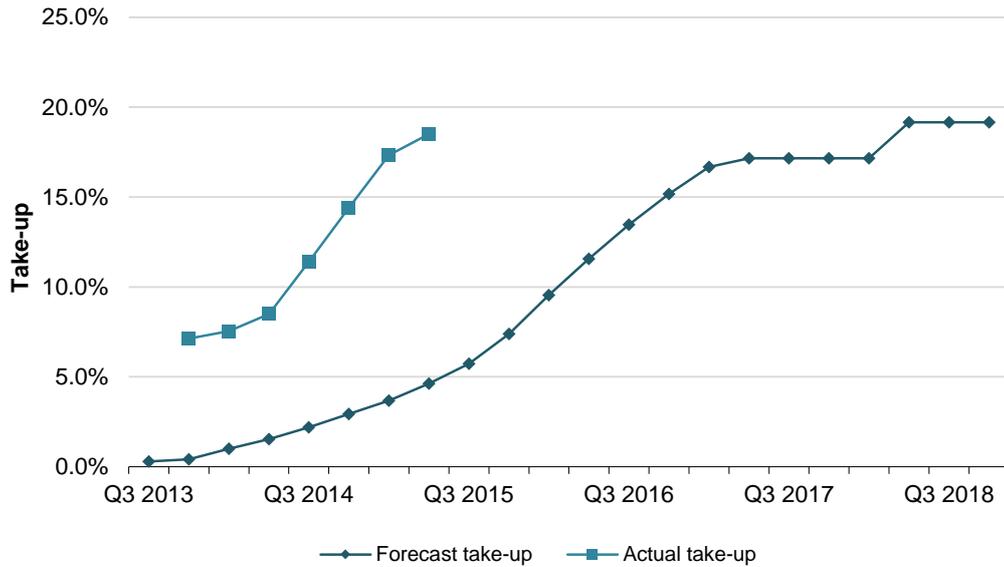
- 4.27 As previously noted there has been some ambiguity around the programme's target on overall coverage (as to whether this relates to superfast services, or fibre-delivered services). The programme team advises us that the current expectation is that approximately 90% of premises in Cumbria will have access to fibre-delivered services by March 2016. Of the premises covered by the intervention, the programme team expects c. 90% to have superfast (24Mbps+) speeds. If this proportion is also applied to premises covered by commercial roll-outs, then the implied superfast coverage would be approximately 81%.
- 4.28 This is significantly below the 93% superfast coverage target (as set out in the BDUK funding agreement, and on the Connecting Cumbria website).
- 4.29 However, we suspect that the programme team's current estimate significantly understates the actual levels of coverage that will be achieved by March 2016:
- The programme is expecting to pass c. 120,000 premises with fibre-delivered services, of which c. 90% are expected to be able to get superfast speeds (i.e. c. 108,000 premises). On the basis of the figures in the Speed and Coverage Template from August 2013 (252,390 total premises, of which 133,792 were superfast white), this would imply a post intervention coverage of c. 95% fibre-delivered services, and c. 90% superfast. The actual coverage may be somewhat lower than this, if there is some overspill from the intervention into 'grey' areas, and as additional properties have been built in the meantime, but we would be surprised if superfast coverage turned out to be as low as 81%.
  - We would expect the commercially-covered areas to have a somewhat higher proportion of covered premises achieving superfast speeds (as they are in more urban areas).
  - A credible [third party estimate](#) of coverage in Cumbria from thinkbroadband.com, which uses data from end user speed tests, places current fibre coverage at 83.9%, and superfast (24Mbps+) coverage at 78.6%. With another 20,000 premises yet to be covered by the roll-out, this should take March 2016 coverage levels significantly above those currently estimated by the programme team.
- 4.30 We also note that this coverage will have been achieved with significantly less than the original budget. Clawback funding - as a result of the required investment being less than originally estimated, and also from take-up being higher than expected (see below) - will be re-invested, alongside additional funds made available from BDUK under the Superfast Extension Programme, to ensure that coverage is extended further.

### Take-up

- 4.31 While coverage is, of course, critical, it is the extent to which Cumbria's households and businesses actually *use* the subsidised infrastructure that is the most important determinant of the socio-economic outcomes for the county. Hence we regard the take-up statistics as particularly interesting.

4.32 The findings here show that the programme is doing well. Take-up has been well ahead of the original forecast from the outset, and had reached 18.5% at the end of June 2015, versus the 4.6% forecast for that date contained in the BT Project Model (see Figure 4-4). This partly reflects good progress by the programme in stimulating take-up across the intervention area, but also confirms that the take-up forecast in the BT Project Model was set unrealistically low by a wide margin.

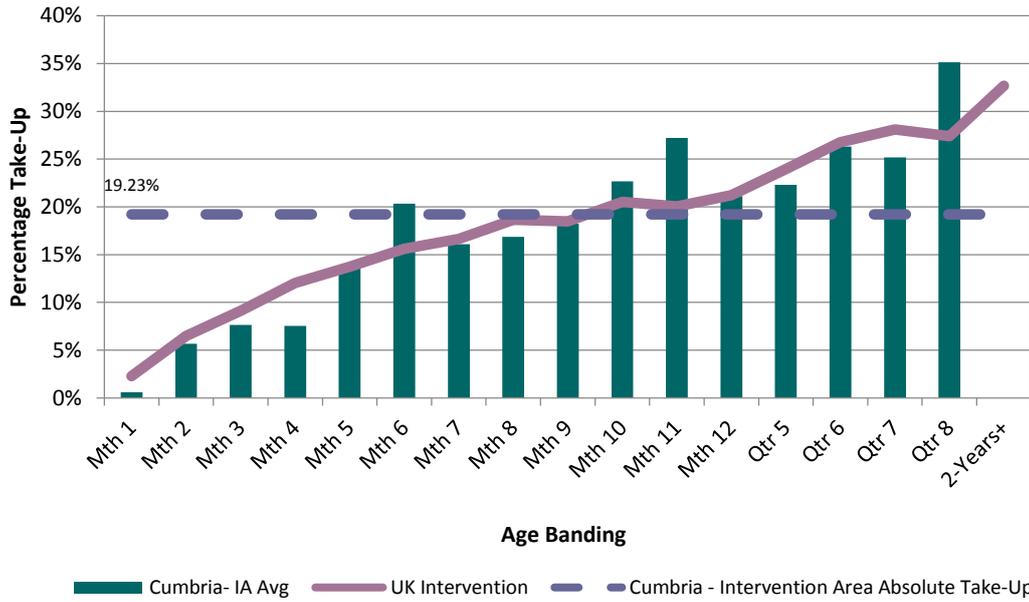
**Figure 4-4: Actual and forecast take-up (cumulative connections as percentage of cumulative premises passed)**



Source: Actuals from BT quarterly marketing reports; forecast from BT Project model

4.33 Looking at the average take-up by ‘age’ of cabinet (i.e. how long the cabinet had been enabled for FTTC), illustrates that Cumbria is also doing well on take-up compared with the intervention in the rest of the UK: for almost all age bands, take-up is higher in Cumbria than or equal to the UK average (see Figure 4-5). The cabinets that have been enabled for longest have already achieved c. 35% levels of take-up.

Figure 4-5: Take-up by age of cabinet – Cumbria versus the UK intervention average



Source: Cumbria Ward Take-Up Report, June 2015

4.34 No data is available on the numbers of SMEs taking up superfast broadband in the intervention area. However, in our survey of business support beneficiaries we found that 31% had superfast broadband at that time. This is very close to the 34% take-up targeted in the ERDF funding agreement for the end of 2015 (4,191 take-up of 12,450 eligible SMEs covered by the intervention). Bearing in mind the lower eligible SME coverage now expected (8,500 rather than the unrealistically high 12,450 target), we would estimate that approximately 2,600 ERDF-eligible SMEs will have taken up superfast broadband in the intervention area (versus the 4,191 target).

## 5. Business support

### Activities

- 5.1 The business support programme, operated by Commendium and known as 'BIG Cumbria', offered support through workshops and bespoke, one-to-one consultations, predominantly face-to-face but also via telephone and email.
- 5.2 In order to stimulate demand for their support, Commendium pursued a direct engagement approach, proactively calling businesses in Cumbria and asking them whether they needed any help or advice on using technology. Support was tailored to the needs of individual businesses.
- 5.3 One-to-one consultations generally started with an audit of internet use, to identify any areas where there was low knowledge. This generally brought up specific issues that enabled Commendium to provide bespoke and targeted advice and guidance.
- 5.4 Commendium also ran 140 workshops on a range of topics, including those listed below:
- Search engine optimisation
  - Digital/email/online marketing
  - Website building
  - Google Analytics
  - Social media
  - Cloud/cloud systems
  - IT/internet security.
- 5.5 Following the ERDF National Eligibility Rules, the following sectors were taken to be ineligible for ERDF support:
- fishery and aquaculture sectors
  - primary production, processing and marketing of agricultural products
  - the coal, steel and shipbuilding sectors
  - the synthetic fibres sector
  - establishments providing generalised (school age) education
  - banking and insurance companies.
- 5.6 Additionally, businesses in the retail sector were excluded from the programme, in line with the North West Operational Programme.
- 5.7 Our analysis of the beneficiary database by employment sizeband and broad industry grouping is shown below. The beneficiary database did not break down firm size for micro-

businesses into sole-traders and those with employees, so our estimates for this have been informed by an analysis of the beneficiary survey – assuming that those respondents are broadly representative of the beneficiary population. On this basis, we estimate that c. 28% of the beneficiaries were one-person businesses, and a further 71% were businesses employing between 2 and 9 people.

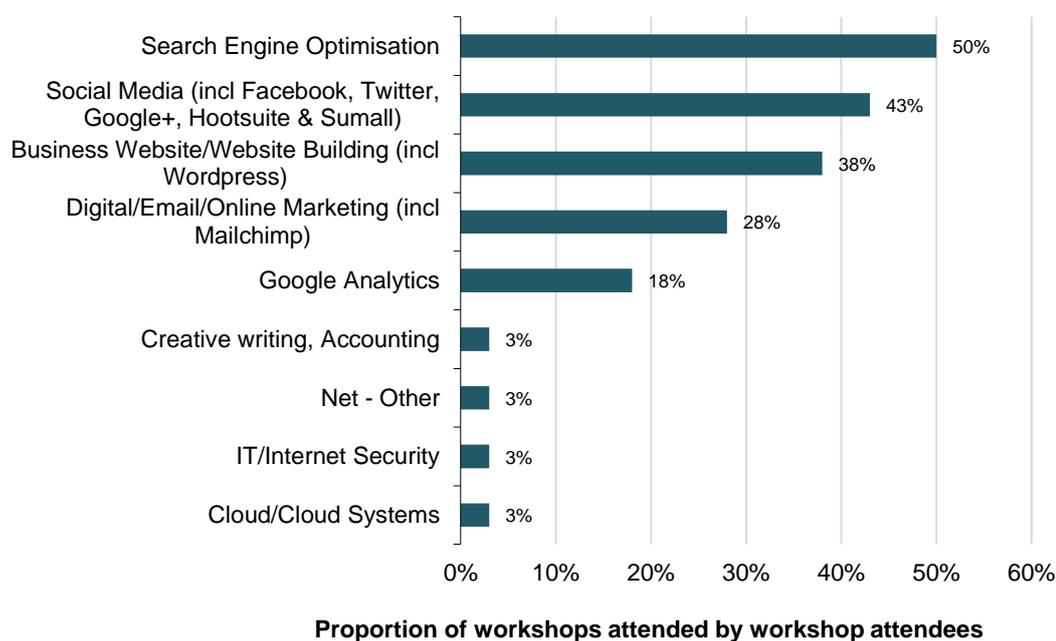
**Table 5-1: Breakdown of total business support beneficiaries by employment sizeband and industry grouping<sup>6</sup>**

Employment sizeband	ABCDEF	GHI	JKLMN	PQRS	Total
1	98	125	187	145	555
2 to 9	359	576	317	144	1,396
10 to 49	7	7	4	1	19
50 to 249	2	1	1	0	4
<b>Total</b>	<b>466</b>	<b>709</b>	<b>509</b>	<b>290</b>	<b>1,974</b>

Source: SQW analysis of beneficiary database and beneficiary survey

5.8 According to respondents of the business survey, one in five beneficiaries attended the Commendium-run workshops, the most popular of which were on Search Engine Optimisation (half of all workshop attendees), Social Media (43%) and Business Website/Website Building, including Wordpress (38%) – see Figure 5-1 below.

**Figure 5-1: Commendium workshop topics**



Source: SQW Business Survey (Base = 40)

<sup>6</sup> A,B,C,D,E,&F (Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities; Construction); G,H&I (Wholesale and retail trade, repair of motor vehicles and motor cycles; Transport and storage; Accommodation and food service activities); J,K,L,M&N (Information and communication; Financial and insurance activities; Real estate activities; Professional, scientific and technical activities; Administrative and support service activities); P,Q,R&S (Education; Human health and social work activities; Arts, entertainment and recreation; Other service activities)

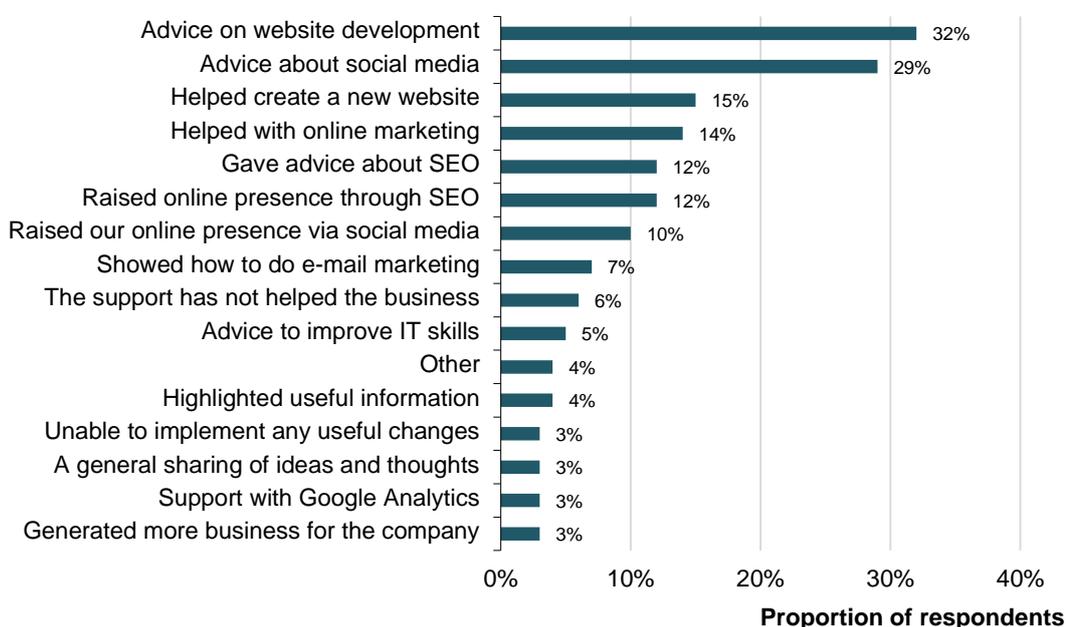
5.9 Feedback on the workshop from the 40 businesses that attended them was very positive:

- 93% said the workshops were “about the right length”
- 93% said they were either satisfied or very satisfied with the event.

5.10 In addition to the workshops, nearly all of the respondents received some kind of one-to-one support. Except for a few cases, this was almost always in the form of face-to-face support (99% of beneficiaries), as well as by email (31%), by phone (15%), by post (1%) and by Skype (1%).

5.11 According to their responses, Commendium’s support helped businesses in a variety of ways, as shown in Figure 5-2 below.

**Figure 5-2: Ways in which Commendium business support has helped businesses**



Source: SQW Business Survey (Base = 189)

5.12 Most businesses (81%) were generally satisfied with the consultancy support they received and only 5% were dissatisfied.<sup>7</sup> Of those that were dissatisfied:

- three commented that the advice was not relevant or was basic
- three commented that there was no follow-up support after initial contact
- three were disappointed at the poor use of tax-payers money
- three commented that the consultancy support did not achieve what they expected
- two wanted more hands-on support.

<sup>7</sup> The base for this question was 189.

5.13 When asked what Connecting Cumbria’s business support service could have done better, 42% of respondents said ‘nothing’.<sup>8</sup> However, others provided some constructive suggestions:

- 16% said it would be useful to have more follow-up support after the initial meetings
- 13% said there could have been more or better information and advice.

## Progress versus intended outputs

5.14 The contracted ERDF targets for the Connecting Cumbria programme are shown in Table 5-2.

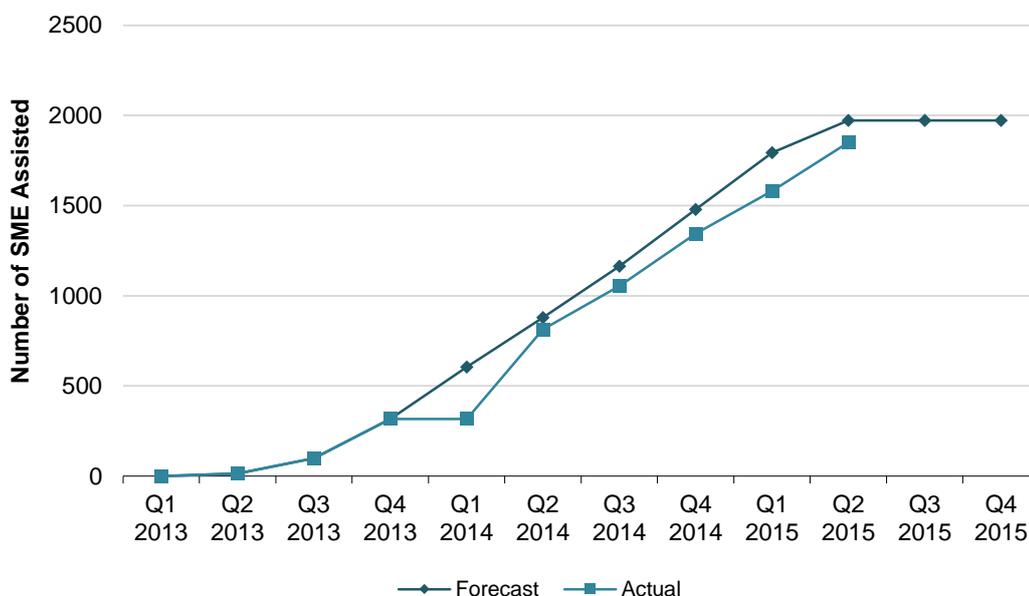
**Table 5-2: Budgeted ERDF targets 2013-2015**

Targets by year	2013	2014	2015	Total
Number of eligible SMEs assisted	316	1,163	494	<b>1,973</b>
Gross jobs created	6	75	64	<b>145</b>
Number of eligible businesses with improved performance	13	456	291	<b>760</b>
Gross increase in GVA among eligible businesses	0	0	£8,500,000	<b>£8,500,000</b>

Source: Connecting Cumbria Monitoring Data July 2015

5.15 The business support programme has made good progress against these targets. As of the end of June 2015, a total of 1,850 business assist outputs (of 12+ hours) had been claimed, versus the target of 1,973 by the end of December 2015 (see Figure 5-3 below). The beneficiary database confirms that the target has now been 100% achieved, with a total of 1,974 beneficiaries receiving support.

**Figure 5-3: Cumulative eligible SMEs assisted**



Source: Connecting Cumbria Monitoring Data July 2015

<sup>8</sup> The base for this question was 200.

- 5.16 The actual ERDF ‘results’ to date are above target, with 153 jobs created as of the end of June 2015, 106% of the target of 145 jobs. The number of eligible businesses with improved performance has also been achieved, with 760 businesses showing some improvement. This improvement is measured by the increase in GVA across the eligible businesses, which is considerably higher than the target £8.5 million, at £15.1 million (177.6% of the target)<sup>9</sup>.
- 5.17 The table below summarises the achievements versus the ERDF targets as at end of June 2015.

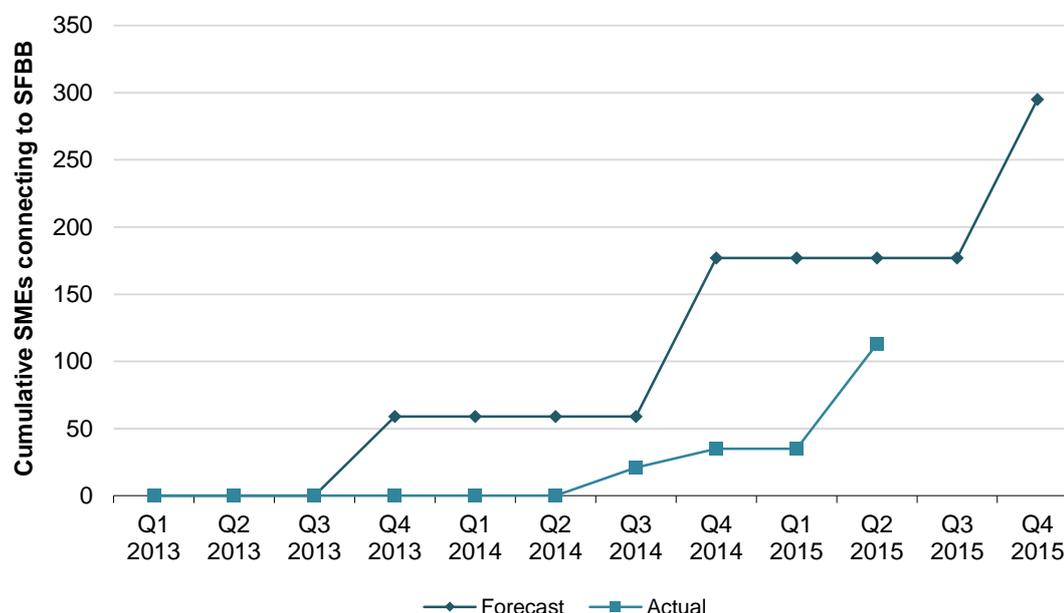
**Table 5-3: Budgeted ERDF targets vs. actual to end June 2015**

	Budget to end Q4 2015	Actual to end Q2 2015	% budget achieved as of Q2 2015
Number of eligible SMEs assisted	1,973	1,850	93.8%
Gross jobs created	145	153	105.5%
Number of eligible businesses with improved performance	760	760	100.0%
Gross increase in GVA among eligible businesses	£8,500,000	£15,100,000	177.6%

Source: Connecting Cumbria Monitoring Data July 2015

- 5.18 Since June 2015, the 1,973 eligible SMEs assisted has been achieved, ensuring that all budgeted ERDF targets have now been met.
- 5.19 In terms of take-up of superfast broadband attributable to the business support, Figure 5-4 shows that some progress has been made against take-up targets to date.

**Figure 5-4: No of SMEs taking up SFB in white areas attributable to business support package**



Source: Connecting Cumbria Monitoring Data July 2015

<sup>9</sup> Note that the ERDF GVA created and jobs created measures here differ in methodology from the net impacts calculated in Section 6. For practical reasons, the ERDF measures are based on firms’ employment and GVA before and after support, whereas the net impact calculations seek to ascertain how much of the employment and GVA can actually be attributed to the support itself.

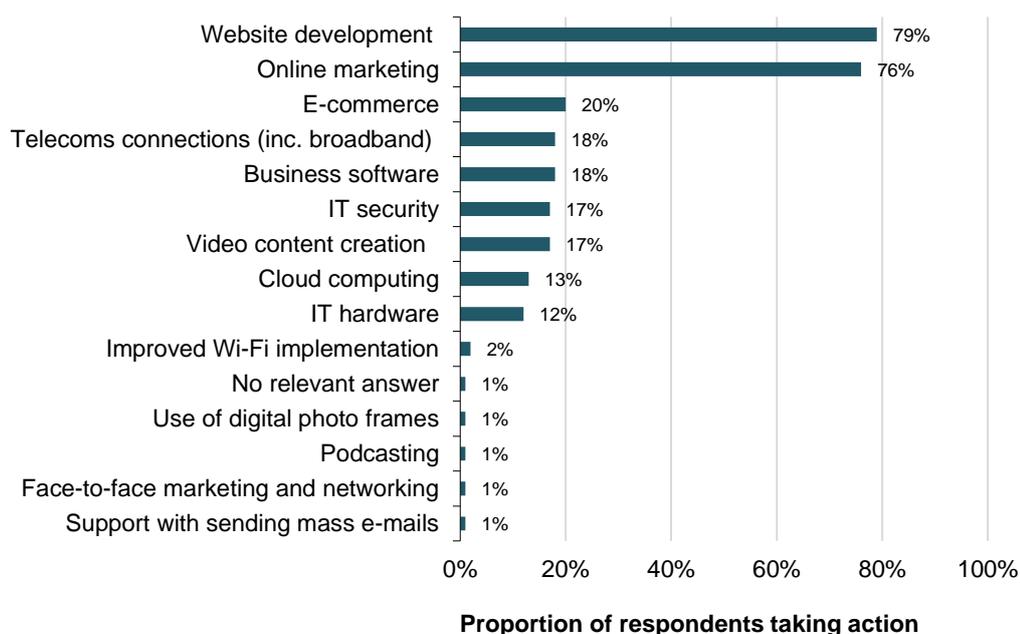
5.20 Take-up to June 2015 had reached 113 eligible SMEs in white areas versus the original target of 295 by the end of 2015. Although the take-up due to the business support is likely to increase further by the end of 2015, the achievement versus this target is no longer being tracked as the business support contract has completed.

## Progress towards intended outcomes

5.21 According to the survey respondents, the business support programme has had the following impacts:

- 69% of businesses agreed that it had made them feel more informed about the opportunities digital technologies offer them.
- 70% of businesses had taken specific action to do more with digital technology, and a further 12% intended to take action soon. The majority of this action has been in the areas of website development and online marketing<sup>10</sup>, as illustrated in Figure 5-5 below.

**Figure 5-5: Areas of action taken by businesses as a result of Commendium business support**



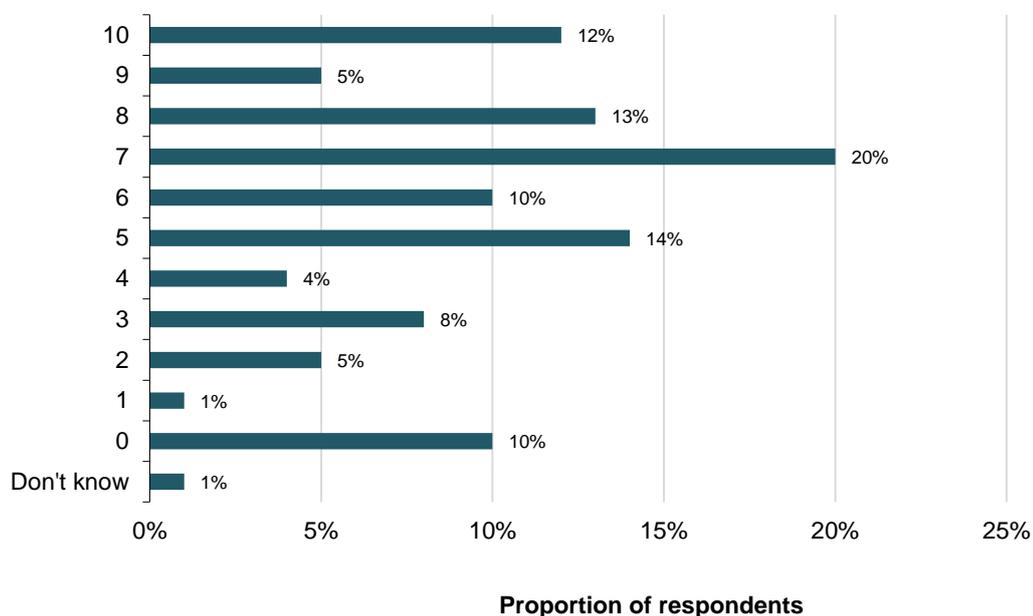
Source: SQW Business Survey

- 93% of firms attending workshops were satisfied or very satisfied with the information and advice received, and 82% of firms receiving consultancy support were satisfied or very satisfied.
- 60% of respondents considered it relatively likely (responding between 6 and 10 on a 10-point scale) that Connecting Cumbria's business support will have a material positive effect on their performance over the next three years (see Figure 5-6 below). The mean likelihood of a material positive effect was 5.9 out of 10: i.e. a 59% average probability of a material positive effect. Although this is a positive finding, we note

<sup>10</sup> Online marketing includes social media, video marketing, email marketing, google analytics, blogging, international online marketing, online market intelligence, digital advertising, mobile marketing, and Search Engine Optimisation.

that it is somewhat below the 71% average response to the equivalent question in SQW's [recent evaluation](#) of BIS's Small Business Digital Capability Challenge Fund.

**Figure 5-6: Likelihood that Commendium's business support will have a material positive effect on business performance over the next three years (0 = no chance, 10 = certain)**



Source: SQW Business Survey

5.22 Businesses reported a number of potential benefits of the Connecting Cumbria's business support programme:

- 70% agreed or strongly agreed that they better understand where the gaps in their digital technology knowledge are (11% disagreed, 18% neither agreed or disagreed)
- 49% agreed or strongly agreed that their business profitability will improve (25% disagreed, 26% neither agreed or disagreed)
- 49% agreed or strongly agreed that they feel more confident about conducting business online (18% disagreed, 30% neither agreed or disagreed)
- 48% agreed or strongly agreed that they could see new market opportunities (23% disagreed, 27% neither agreed or disagreed)
- 43% agreed or strongly agreed that their business would save time (28% disagreed, 29% neither agreed or disagreed)
- 42% agreed or strongly agreed that they feel more confident in finding and dealing with digital technology suppliers (26% disagreed, 30% neither agreed or disagreed)
- 21% agreed or strongly agreed that they feel more confident in finding and dealing with digital technology suppliers (48% disagreed, 30% neither agreed or disagreed)
- 13% agreed or strongly agreed that their business will be seeking more opportunities for selling to customers outside of the UK (65% disagreed, 21% neither agreed or disagreed)

- 5.23 In addition, 60% of all those that received consultancy support thought that their annual turnover would be greater than it otherwise would have been over the next three years, as a result.
- 5.24 A small number of respondents (21 of the 200) reported that they are currently employing more people as a result of Commendium's business support, and a larger number (43) considered that the support they received may lead to their business employing more people than they would have otherwise, over the next three years.

## 6. Assessment of potential impacts and value for money

- 6.1 To support the evaluation of Connecting Cumbria, we have developed a model of the economic, social and environmental impacts of faster broadband – and of publicly funded investment in faster broadband – in Cumbria. This model uses a similar methodology to that developed for the UK Broadband Impact Study for DCMS, using Cumbria-specific data, and adding a component for the business support activities.

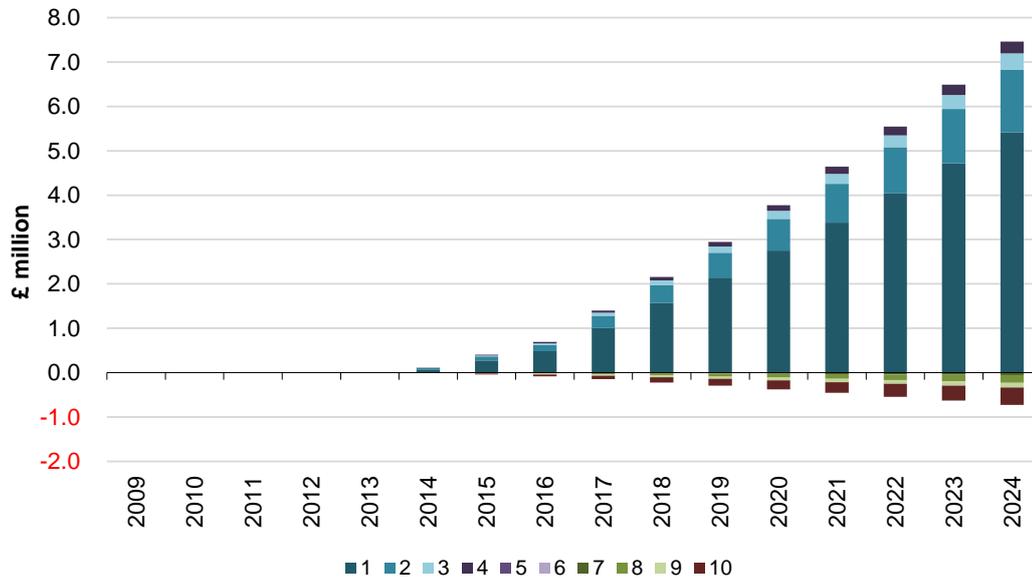
### Economic impacts

- 6.2 In order to assess the economic impacts attributable to publicly funded intervention, our model includes estimates of the ‘with intervention’ and ‘without intervention’ scenarios. The economic impact associated with intervention is simply the difference between the two net GVA impact time series.

### *Safeguarding of local enterprise employment*

- 6.3 Broadband – and faster broadband in particular – has a complex relationship with employment creation at sub-regional, regional and national levels. There is a ‘creative destruction’ effect at work, in which employment growth may be suppressed to some extent by improvements in business process efficiency (businesses doing more with less), while the better connectivity also leads to employment growth opportunities through new business models and emerging sectors.
- 6.4 There is some evidence, however, that the *relative* availability and quality of broadband can have a significant impact on employment growth at a *local* level: areas with poor broadband lose out to areas with better connectivity. Our model assumes that if there were a persistent and widening digital divide, then this local effect would lead to adverse sub-regional impacts over time, as jobs lost or foregone in areas with poor broadband (which might, for example, also have advantages in other respects, such as relatively low accommodation costs or labour costs) would not be entirely replaced by jobs created in areas with good connectivity. Publicly funded intervention, to reduce the digital divide, can therefore help safeguard net employment and the associated GVA.
- 6.5 Our impact model estimates that the net annual GVA impact from this effect, attributable to intervention, will rise to about £6.7 million by 2024, as shown in Figure 6-1.

**Figure 6-1: Net annual GVA impact from safeguarded employment in local enterprises in Cumbria, attributable to intervention – by density decile<sup>11</sup> (1=least dense)**



Source: Cumbria Broadband Impact Model, SQW 2015

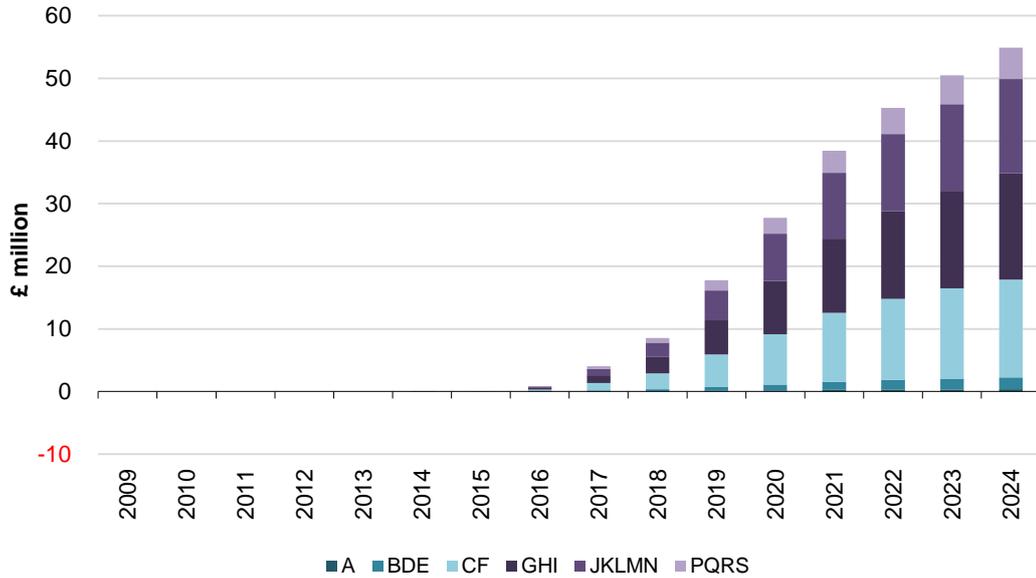
### Productivity growth of broadband-using firms

- 6.6 It is now widely accepted that the availability and adoption of affordable broadband plays an important role in increasing productivity in economies – through, for example, supporting the development of new, more efficient, business models, enabling business process re-engineering to improve the efficiency and management of labour intensive jobs, and enabling increased international trade and collaborative innovation. Our model includes estimates of the average increase in the broadband speeds used by businesses each year (by industry group, size band and density decile), and the extent of the associated productivity benefits.
- 6.7 Comparing the two scenarios, our model currently estimates that over £55 million in net annual GVA impacts are attributable to intervention by 2024, through this productivity effect. The largest contributions to this come from the GH&I industry group<sup>12</sup> (Figure 6-2) and the 1 to 9 employment band (Figure 6-3).

<sup>11</sup> The model divides the UK into ten 'density deciles', ranging from the 10% of Census output areas with the fewest premises per square kilometre (sq km), to the 10% of Census output areas with the most premises per sq km, and calculates how many Cumbria premises are in each of these UK deciles.

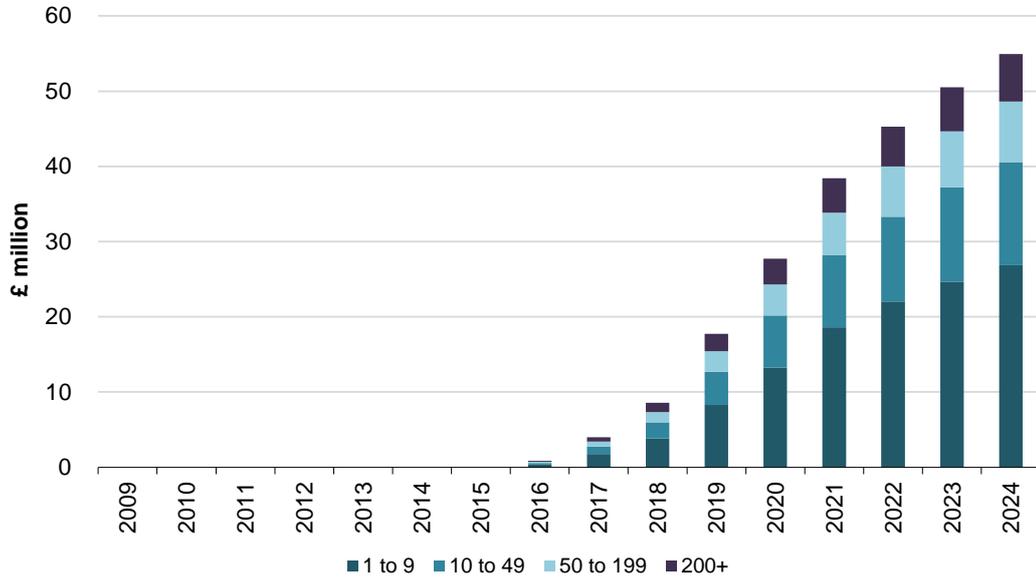
<sup>12</sup> Wholesale and retail trade, repair of motor vehicles and motor cycles; Transport and storage; Accommodation and food service activities

Figure 6-2: Net annual GVA impact from productivity growth for broadband-using firms in Cumbria, attributable to intervention – by industry groups<sup>13</sup>



Source: Cumbria Broadband Impact Model, SQW 2015

Figure 6-3: Net annual GVA impact from productivity growth for broadband-using firms in Cumbria, attributable to intervention – by size of firm (employees)



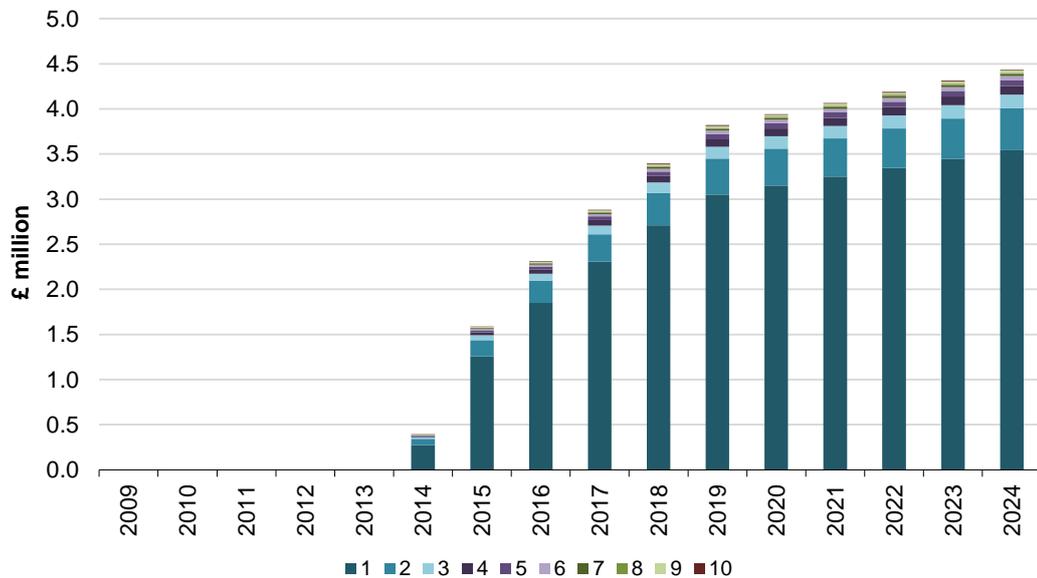
Source: Cumbria Broadband Impact Model, SQW 2015

<sup>13</sup> The six broad industry groupings, using SIC2007 sections, are: A (Agriculture, forestry and fishing); B,D&E (Mining and quarrying; Electricity, gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities); C&F (Manufacturing; Construction); G,H&I (Wholesale and retail trade, repair of motor vehicles and motor cycles; Transport and storage; Accommodation and food service activities); J,K,L,M&N (Information and communication; Financial and insurance activities; Real estate activities; Professional, scientific and technical activities; Administrative and support service activities); P,Q,R&S (Education; Human health and social work activities; Arts, entertainment and recreation; Other service activities)

### Teleworker productivity

- 6.8 As levels of connectivity at home improve, this will tend to encourage higher levels of working from home – the majority of which will be people working a few days per month from home, rather than teleworking full-time. While some have argued that employees can be inherently more productive when working at home, our model takes a relatively conservative view, assuming that a certain proportion of the time saved by not commuting on a telework-day is spent on work: i.e. adding to the employee’s productive hours per day, rather than making those hours more efficient.
- 6.9 We estimate that the net annual GVA impacts attributable to intervention from improved teleworker productivity will reach about £4.4 million by 2024 (Figure 6-4), with the bulk of these impacts in the three least dense deciles (where there are most teleworkers, and where the bulk of the intervention investment is focused).

**Figure 6-4: Net annual GVA impact from increased teleworker productivity in Cumbria, attributable to intervention – by density decile (1=least dense)**



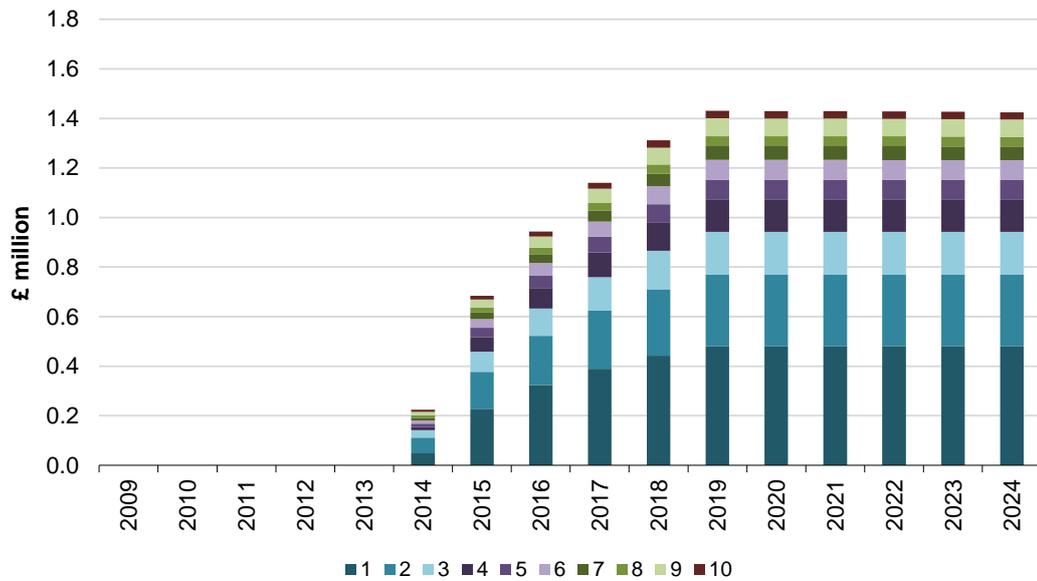
Source: Cumbria Broadband Impact Model, SQW 2015

### Labour force participation

- 6.10 The ability to work from home, using improved levels of connectivity, also reduces the barriers to employment for certain parts of the working age population. In particular, we have assumed that a proportion of carers (i.e. people who are economically inactive, because they are looking after the home or family members) would be willing and able to take up part-time employment based at home, and that the prevalence of this will increase as levels of home connectivity improve over time. Similarly, we have assumed that a proportion of unemployed disabled people would find it easier to find and retain suitable work if this were based at their own homes (levels of unemployment for disabled people have historically been persistently significantly higher than those for the workforce as a whole) – and again, that the prevalence of this will increase as levels of home connectivity improve over time.

6.11 Our model estimates that the net annual GVA impacts attributable to intervention from improved participation of carers and disabled people reaches about £1.4 million by 2024 (Figure 6-5). This equates to about 44 additional carers and about 20 additional disabled people gaining employment through telework, who would not have been able to do so in the absence of the intervention in faster broadband in under-served areas of Cumbria.

**Figure 6-5: Net annual GVA impact from increased participation of carers and disabled people in Cumbria, attributable to intervention – by density decile (1=least dense)**



Source: Cumbria Broadband Impact Model, SQW 2015

**Business support**

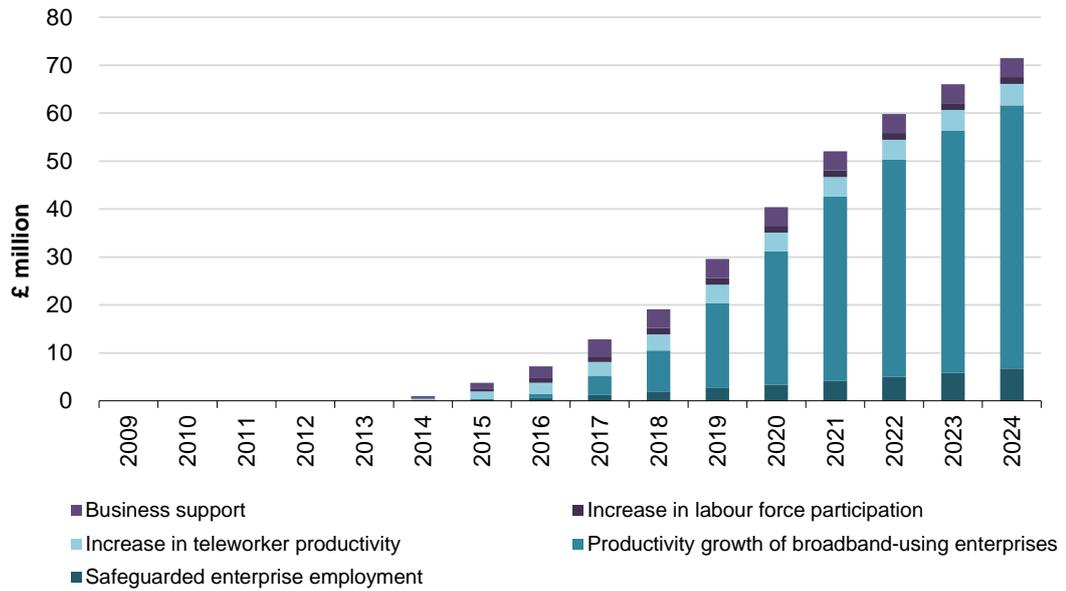
6.12 The incremental economic impacts of the programme’s business support activities are assumed to be additional to the impacts described above, and have been informed by our analysis of the beneficiary database and of the beneficiary survey responses.

6.13 We estimate that the net annual GVA impact of the business support will rise to about £3.9 million by 2018, and that the net employment impact will rise to about 49 safeguarded/created jobs. Note that this includes an adjustment of 63% for displacement, indicated by the beneficiary survey.

**Total economic impacts**

6.14 Bringing together the various sources of economic impact, we estimate that the total net annual GVA impacts attributable to intervention rise to about £71 million by 2024, the bulk of which comes from improvements in the productivity of broadband-using firms (Figure 6-6).

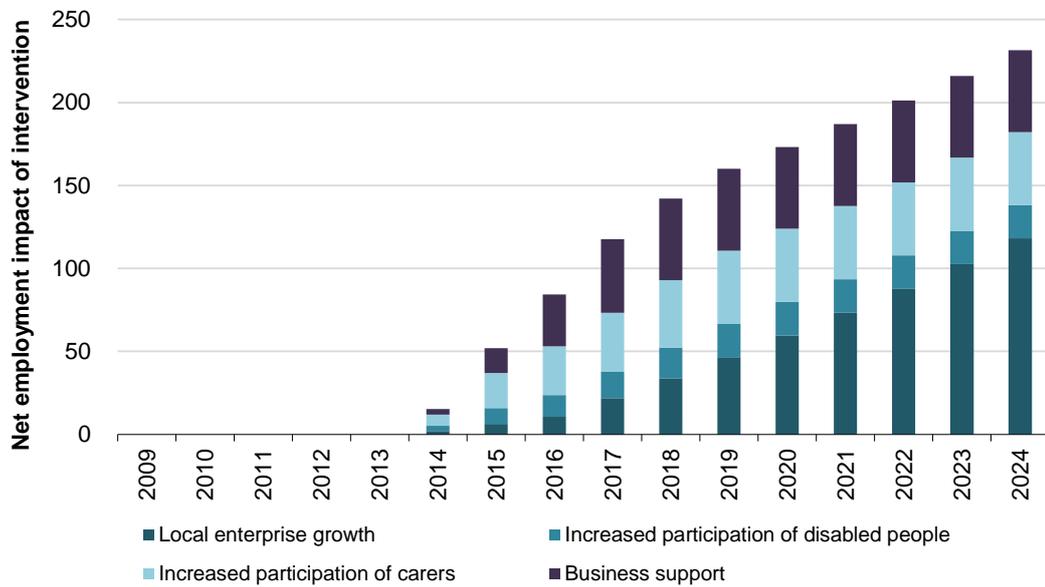
Figure 6-6: Total net annual GVA impact, attributable to intervention – by type of impact



Source: Cumbria Broadband Impact Model, SQW 2015

6.15 The net employment impacts from the Connecting Cumbria intervention rise to about 52 jobs by 2015, and 232 jobs by 2024, on the model's current assumptions (Figure 6-7).

Figure 6-7: Total employment impact, attributable to intervention – by type of impact



Source: Cumbria Broadband Impact Model, SQW 2015

## Social impacts

### *Routes to social impact*

- 6.16 Beyond its economic impacts, broadband has, of course, become an integral part of modern life, affecting various aspects of our day-to-day activities as individuals, families and communities.
- 6.17 Although this evaluation focuses on the ERDF aspects of the programme, the evaluation brief clarifies that there are significant spillover benefits expected for Cumbria communities. We therefore consider these benefits briefly in this report.
- 6.18 Our model focuses on quantifying the following three areas of social impact:
- **The digital divide** – in terms of the differences in broadband speeds available to households and businesses in different parts of Cumbria.
  - **The value of household savings associated with additional teleworking.** By enabling more efficient, more frequent teleworking, faster broadband will reduce the need for commuting, and hence lead to household savings on transport costs. Our model estimates these savings, but also the extent of costs incurred by households in additional space heating on telework-days.
  - **The value of leisure time saved through increased teleworking.** Some of the time saved in commuting, through additional teleworking enabled by faster broadband, is likely to be spent on work (as assumed in the previous economic impacts section on teleworker productivity), and some will be taken as leisure time. Our model quantifies the potential additional leisure time saved, and the associated value of this time.

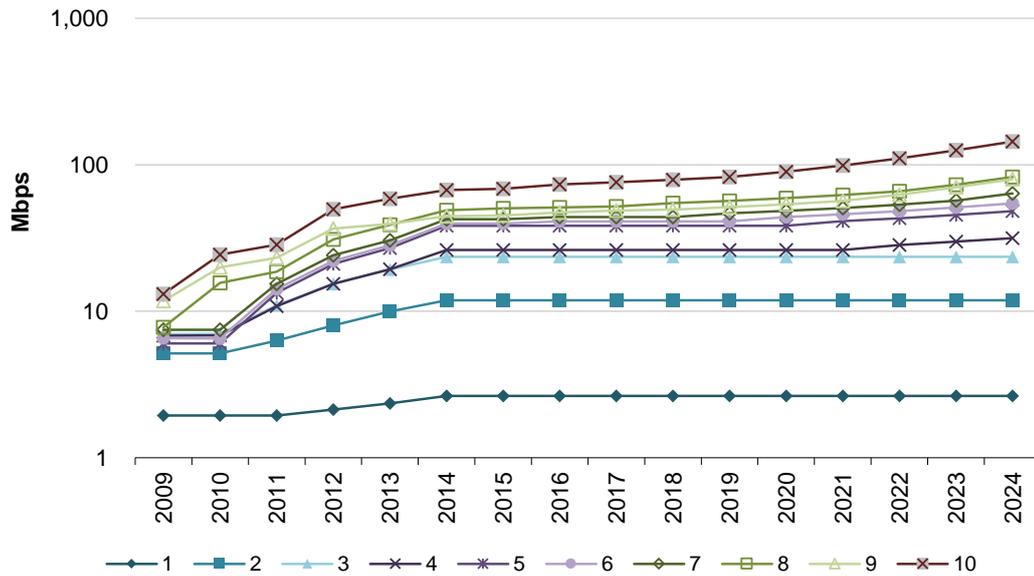
### *Digital divide*

- 6.19 The indicative maximum total speeds<sup>14</sup> (i.e. adding downstream and upstream) available to Cumbria households in each density decile are shown below for the without-intervention (Figure 6-8) and with-intervention (Figure 6-9) scenarios. We use logarithmic y-axes in order to illustrate the trends and differences more clearly. Note that these are the maximum *available* speeds, rather than the average used speeds.

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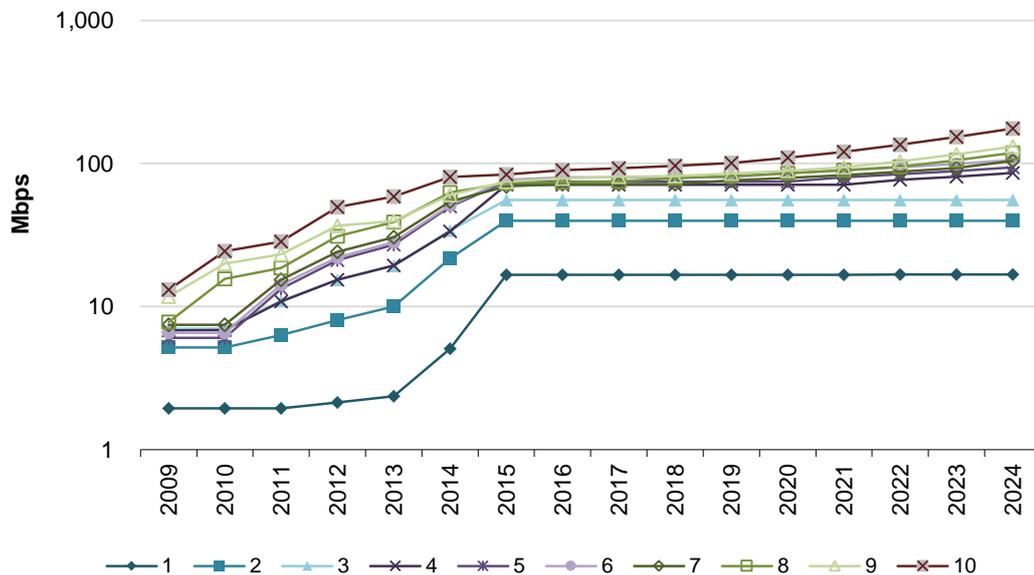
<sup>14</sup> Note that these indicative maximum total speeds are calculated from weighted geometric means, which take account of partial coverage levels within each decile of the various technologies, and avoid the overall indicative speed being unduly distorted by very high speeds for small percentages of premises in the decile (which would be the case with arithmetic means)

Figure 6-8: Indicative maximum total speeds (down + up) available to households, without intervention (Mbps), by density decile – note logarithmic y-axis



Source: Cumbria Broadband Impact Model, SQW 2015

Figure 6-9: Indicative maximum total speeds (down + up) available to households, with intervention (Mbps), by density decile – note logarithmic y-axis

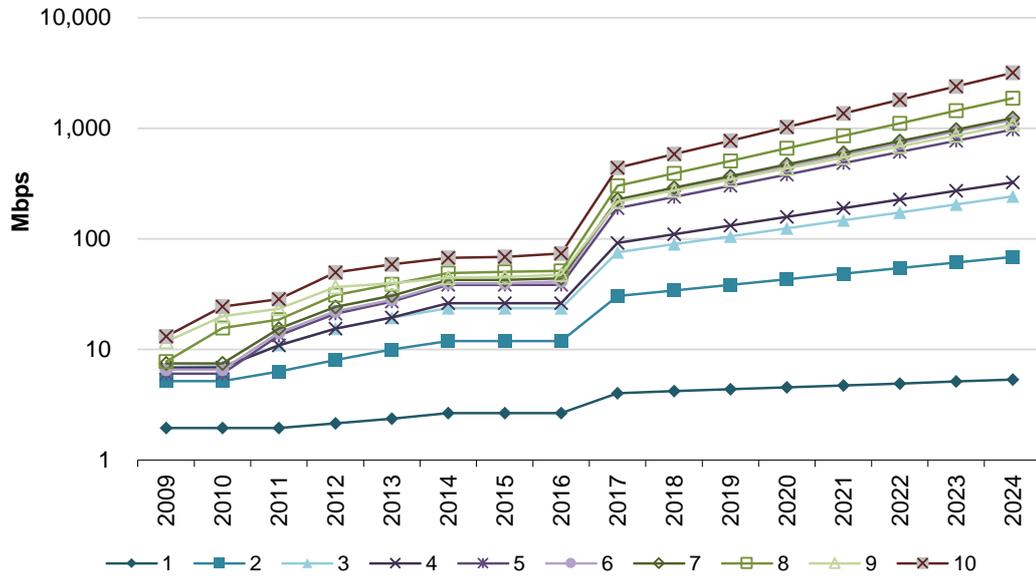


Source: Cumbria Broadband Impact Model, SQW 2015

6.20 For businesses, the difference is in the availability of ‘FTTP on demand’ throughout BT’s FTTC footprint – which we have assumed will be fully available from the start of 2017 (following trials of new processes this autumn, after the product was suspended from taking new orders in early 2015), leading to a substantial increase in maximum speed from that year. As the intervention substantially expands the FTTP on demand footprint (by expanding the FTTC footprint), the speeds available to businesses in the least dense deciles come much closer to

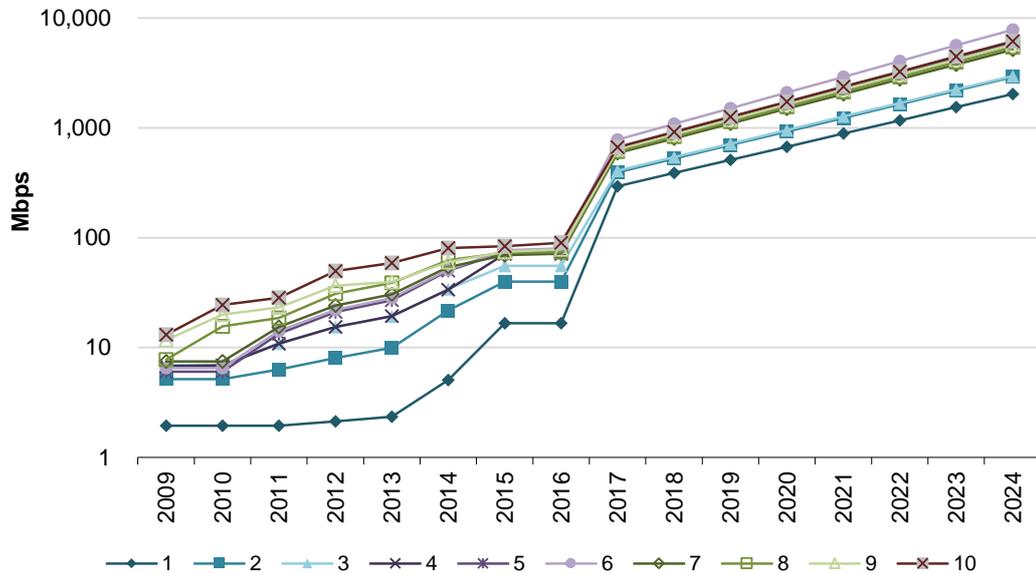
those in urban areas, as they can mostly now access affordable FTTP (not typically the case for households in these deciles).

**Figure 6-10: Indicative maximum total speeds (down + up) available to businesses, without intervention (Mbps), by density decile – note logarithmic y-axis**



Source: Cumbria Broadband Impact Model, SQW 2015

**Figure 6-11: Indicative maximum total speeds (down + up) available to businesses, with intervention (Mbps), by density decile – note logarithmic y-axis**



Source: Cumbria Broadband Impact Model, SQW 2015

6.21 From the above charts we can see that the intervention in Cumbria will have a material impact on reducing the digital divide for both households and businesses.

- 6.22 The introduction of FTTP on demand throughout BT's FTTC footprint should have a particularly important and sustained impact in putting the least densely populated areas of Cumbria onto a 'more level playing field' as far as business connectivity is concerned.

### Household savings

- 6.23 Using the estimates derived for the environmental impacts of teleworking (see below) on the total commuting distance saved per decile, and the modes of transport used per decile, we have developed estimates for the costs saved through reduced commuting by using data on the average cost per passenger km of different modes of transport. We have also applied unit energy costs to the additional usage of the various space heating fuels, in order to estimate the additional costs to households associated with heating the home on teleworked days.
- 6.24 Our model currently estimates that net household savings attributable to the intervention reach over £1.6 million p.a. by 2024, with commuting savings of about £2.2 million in that year being offset by about £0.6 million in space heating costs.
- 6.25 Approximately 130,000 hours of leisure time will be saved per annum, by 2024, due to the intervention's impact on increased teleworking – which has a value of about £1.1 million p.a. using standard DfT metrics for the value of time.

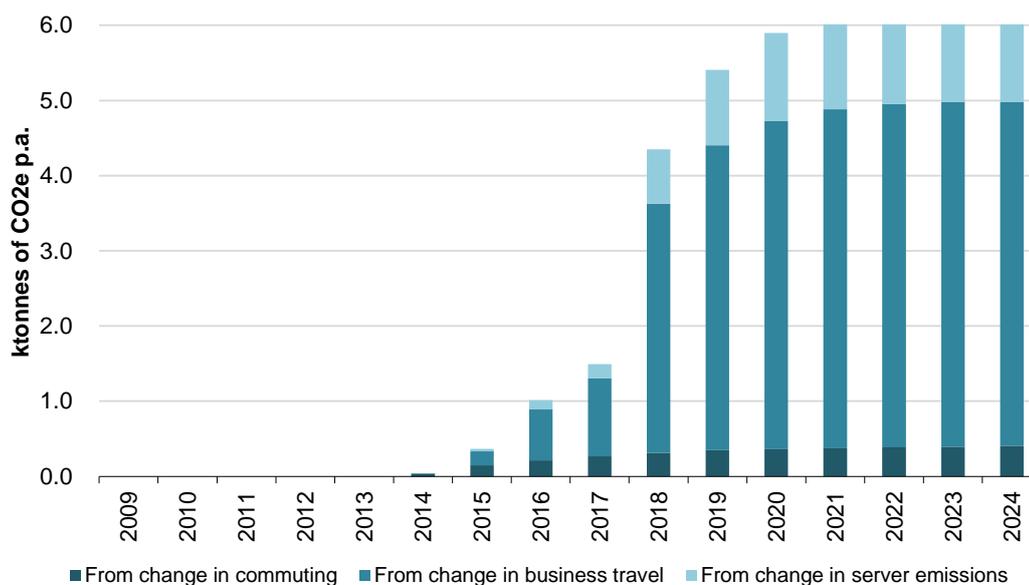
### Environmental impacts

- 6.26 Our model also quantifies estimates for the *environmental* impacts of faster broadband, and from publicly funded intervention, through the following effects:
- **Teleworking.** Probably the most frequently cited environmental benefit of better broadband is that it will encourage people to work from home more, thereby reducing carbon emissions associated with the daily commute. Our model develops estimates for this, but also includes 'rebound' effects, notably the extent to which some of the commuting miles saved will actually be travelled anyway for other purposes (such as shopping, or dropping children off at school, which may otherwise be done in the course of a commuting trip), and the extent to which people working from home leads to additional carbon emissions through domestic space heating.
  - **Business travel.** Large corporates have made significant inroads over the last few years into reducing their travel costs (and emissions) by reducing the need for face-to-face meetings through the use of collaboration software and video-conferencing. With affordable faster broadband with low latency now widely available, we anticipate that the next few years will see this trend increasingly applying to smaller businesses.
  - **Cloud computing.** UK businesses collectively use hundreds of thousands of servers, which are typically on for 24 hours per day, 365 days per year, and which are frequently operating at very low levels of utilisation. Although the trend towards virtualisation of on-premises servers is significantly improving utilisation levels (and hence carbon efficiency), the use of the 'public cloud' for a proportion of businesses' computing needs offers the prospect of substantial further environmental benefits.

Our model estimates the extent to which business use of faster broadband will encourage a shift to the cloud, and the resulting net environmental impacts.

- 6.27 In total, we estimate that the Connecting Cumbria intervention in faster broadband will account for approximately 6.2 ktonnes p.a. in carbon dioxide equivalent (CO<sub>2</sub>e) savings by 2024 (Figure 6-12).

**Figure 6-12: Total net CO<sub>2</sub>e emissions saved, attributable to intervention (thousands of tonnes of CO<sub>2</sub>e p.a.) – by source of saving**



Source: Cumbria Broadband Impact Model, SQW 2015

## Value for money

- 6.28 Discounting at 3.5% p.a. over the modelling period to 2024, the Present Value of the total public funding for the programme is approximately £38.8 million (in 2015 prices), whereas the Present Value of the net GVA impacts over the period is £273 million.
- 6.29 This gives a positive **Net Present Value of approximately £235 million**, and a **Benefit Cost Ratio of 7.0**: that is, every £1 of public money invested in Connecting Cumbria is expected to generate £7 in net economic benefits for the county over that period.
- 6.30 This Benefit Cost Ratio is lower than that estimated in the UK Broadband Impact Study for the UK as a whole. However, this is a result that we would expect given the very rural nature of Cumbria, which leads to higher than average unit costs of coverage, and also to an average business size that is smaller than that in the UK's overall intervention area.
- 6.31 One important sensitivity in our model concerns the availability of FTTP on demand throughout the FTTC footprint in Cumbria. As discussed above, our model now assumes that this will be fully available from the start of 2017. If it had been available from 2014, as originally expected in BT's proposition to local bodies in the BDUK procurements, then we estimate that the Connecting Cumbria programme's Benefit Cost Ratio would have been higher, at 8.4. If, on the other hand, this service never becomes available in practice (e.g. if the

forthcoming trials of the re-engineered processes are unsuccessful), then we estimate that the Benefit Cost Ratio would reduce to 4.5.

## 7. Conclusions and recommendations

### Overall assessment

7.1 Overall, Phase 1 of the Connecting Cumbria programme has delivered some considerable achievements:

- About 100,000 premises have been covered by the intervention's fibre-delivered services so far, and this is expected to rise to about 120,000 premises covered by March 2016. This represents almost half of all premises in Cumbria: a major engineering and operational achievement.
- Take-up has been healthy – in line with, or somewhat above, the UK average, and considerably above the levels originally envisaged by BT. Average take-up in the intervention area was 18.5% at the end of June 2015, and the cabinets which have been enabled for longest have already achieved 35% take-up.
- The business support element has assisted almost 2,000 Cumbrian businesses. This has been positively received and has been effective at stimulating action. In our survey we found that 93% of firms attending workshops were satisfied or very satisfied with the information and advice received, and 82% of firms receiving consultancy support were satisfied or very satisfied. The proportion of firms which had taken action, or intended to do so soon, as a result of the support was 82%. The mean likelihood of the support leading to material positive effect on business performance was 5.9 out of 10.
- Both the infrastructure roll-out and the business support elements have been achieved broadly on time, and at somewhat below the originally anticipated budgets.
- Clawback funding - as a result of the required investment being less than originally estimated, and also from take-up being higher than expected – will ensure that coverage can be extended further, alongside the additional coverage enabled by the further funding under the Superfast Extension Programme.

7.2 In terms of the targets set out in the ERDF funding agreement, the programme has performed well, in our view, as summarised in the table below.

**Table 7-1: Summary of achievement versus ERDF funding agreement targets**

	Budget to end Q4 2015	Actual to end Q2 2015	Notes
Number of eligible SMEs assisted	1,973	1,850	Actual achieved subsequently reached 1,974, in line with target
Gross jobs created	145	153	Above target
Number of eligible businesses with improved performance	760	760	In line with target
Gross increase in GVA among eligible businesses	£8,500,000	£15,100,000	Above target

	Budget to end Q4 2015	Actual to end Q2 2015	Notes
Number of websites available	1	1	In line with target
Superfast broadband (SFBB) activated cabinets	562	355	Now expected to reach 552 by end 2015 – broadly in line with target
ERDF-eligible SMEs in white areas with access to SFBB	12,450	5,015	Under target, as the original figure was set unrealistically high. Now expected to reach 8,500
ERDF-eligible SMEs in white areas taking up SFBB	4,191	N/A	SQW estimates that this will be c.2,600, on the basis of 31% take-up of 8,500 eligible SMEs covered. Under target, as the original figure was set unrealistically high. But take-up proportion is broadly in line with the targeted proportion (34%).
SMEs taking up SFBB in white areas attributable to the business support project	294	113	Under target, but increase after June 2015 not tracked
SMEs taking up SFBB in black and grey areas attributable to the business support package	143	79	Under target, but increase after June 2015 not tracked

Source: ERDF funding agreement, and Connecting Cumbria Monitoring Data July 2015

7.3 Discounting at 3.5% p.a. over the modelling period to 2024, the Present Value of the total public funding for the programme is approximately £38.8 million (in 2015 prices), whereas the Present Value of the net GVA impacts over the period is £273 million. This gives a positive **Net Present Value of approximately £235 million**, and a **Benefit Cost Ratio of 7.0**: that is, every £1 of public money invested in Connecting Cumbria is expected to generate £7 in net economic benefits for the county over that period.

## What has worked well?

7.4 From our evaluation, we highlight the following aspects which appear to have worked particularly well:

- **Being covered by the BDUK umbrella State Aid notification.** Although the procurement was outside the BDUK framework (as Connecting Cumbria was one of the early pilots), the programme was within scope of the umbrella State Aid scheme approved by the European Commission, so the confirmation of State Aid compliance was devolved to BDUK. As well as avoiding the time and expense associated with a project-specific notification, this helped to de-risk the programme by ensuring that its processes are in line with those adopted by other BDUK programmes.
- **Transparency of costs and returns, in the BT Project model.** As the withdrawal of Fujitsu meant that the latter stages of the procurement lacked competitive tension, the transparency of costs and returns in the BT Project Model was vital in ensuring that the programme achieved reasonable value for money.

- **The clawback provisions in the contract.** BT minimised its own risks by initially over-estimating the costs associated with the roll-out, and under-estimating the level of take-up. However, the clawback provisions in the contract will ensure that additional funding will be made available (through costs being less than expected, and take-up being higher than expected), and this will be invested in extending coverage further.
- **Partnership working between the council and BT (latterly).** The initial stages of the contract were apparently characterised by a lack of trust between the council and BT, and this led to various difficulties. Over the last year, however, there has been more of a partnership approach, with the two parties seeking to work together to overcome problems, and this has helped to ensure that the programme is on track to deliver the infrastructure roll-out on time, and under budget.
- **Achieving cost reductions.** As a result of the actual costs of the roll-out being lower than originally expected (including through more premises being addressed by FTTC), the available public funding will be made to go further – extending superfast coverage to additional premises.
- **Targeting the business support around digital marketing and social media.** These are areas in which there appears to be particularly strong demand for support at present, and in which beneficiaries can implement substantive changes rapidly at relatively low cost.

## What could have been improved?

7.5 There are also some areas in which things could have been done differently, in order to improve the programme's effectiveness:

- **The competitiveness of the procurement.** In the latter stages of the procurement, the withdrawal of Fujitsu meant that there was little competitive tension in the negotiations with BT (in common with BDUK Framework programmes, which effectively only had a choice of one – BT - in their call-off procurements). In retrospect, there may have been better ways to structure the geographic scopes of the broadband programmes taken forward in the UK. The very localised approach chosen by BDUK had the inadvertent effects of maximising the resources required of bidders and local authorities (in 40+ separate procurements), reducing the scope for sharing fixed costs across large volumes of customers, and reducing the scope for cross subsidy between 'not-so-difficult' areas in favour of harder to reach areas. As Cumbria is a particularly rural county, it was always going to be very difficult for operators to compete with BT, at a scale which would allow them to make an acceptable commercial return.
- **The ERDF eligibility process.** Overall, we suggest that it would have been better if a more strategic approach had been adopted by DCLG/EC for determining and verifying the ERDF funding eligibility for programmes such as Connecting Cumbria. Rather than delving into cabinet-level detail, a higher-level analysis of the intervention area would have been simpler, lower cost and lower risk, providing better value for money and greater certainty of expenditure, while retaining an appropriate level of compliance verification. In particular, we highlight the following issues:

- The focus on existing recognised business premises misses the point that the vast majority of new enterprises start in their founders' homes. By excluding structures serving only residential premises, the constraints inadvertently reduced the extent to which ERDF will actually be helping to create new businesses in Cumbria in the future.
  - The constraints on what sectors are eligible appear to be over-restrictive. For example, businesses involved in the retail sector have been excluded - which therefore excludes online retailers based in Cumbria selling to consumers around the world.
  - The process was rather onerous and resource-intensive. By insisting that individual cabinets should be assessed for eligibility, the ERDF funding created a large and unnecessarily complex administrative overhead for the programme team and for the selected supplier.
  - The process provides 'spuriously accurate' results. There are many businesses which are not covered by the Experian database (e.g. firms not registered for VAT), and we also note that the dynamic nature of the business base means that the numbers of eligible SMEs per cabinet will inevitably change over time.
- **The setting of targets.** The target for ERDF-eligible SMEs covered by the intervention seems inexplicably and unrealistically high to us. A more cautious view on this target (bearing in mind the sector restrictions) would have been advisable. More importantly, there has been a degree of ambiguity over the overall coverage target for the county (fibre-delivered versus superfast).
  - **Engagement of senior council officers.** Some consultees were of the view that senior council officers were insufficiently engaged in the programme's governance. This may have contributed to some initial mismatches between expectations and operational plans, and to a slower resolution of some problems than would have otherwise been the case.
  - **Communications with communities re roll-out timings.** Some consultees reckoned that there had been insufficient communications with local communities around the timing and the extent of the roll-out, and this had led to frustrations and complaints. While recognising that there is inevitably a degree of uncertainty on roll-out plans, this is an area where the real achievements of the programme could be overshadowed by public relations issues.
  - **Delivery of FTTP on Demand.** BT's original proposition (and its Connecting Cumbria contract press release) included FTTP on Demand throughout its fibre footprint. The absence of this, so far, as an operational and attractive product means that the intervention's economic impact is less than it would otherwise have been.
  - **Size profile of business support beneficiaries.** While the vast majority of businesses in Cumbria – as elsewhere – are micro-businesses, the profile of the business support beneficiaries is further skewed towards micro-businesses (98.8% of beneficiaries, versus 88.9% of all enterprises in Cumbria according to the [Cumbria](#)

[Observatory](#)). Attracting more small (10 to 49 employee) and medium (50 to 249 employee) businesses may have been harder in terms of delivering the volumes of assists required, but would have improved the intervention's economic impact and value for money.

## Recommendations

7.6 In the light of our evaluation findings we offer the following recommendations:

- **Recommendation 1.** CCC should **confirm the extent of the overall fibre-delivered and superfast coverages that will be achieved** across the county by the end of the Phase 1 roll-out, and should be very explicit as to what the coverage target is for the end of the Phase 2 roll-out.
- **Recommendation 2.** CCC should **continue to stimulate demand for superfast broadband**, in conjunction with BT and other organisations. This will help to maximise the social and economic impacts of the intervention, but will also help to pull through further clawback funding. A recent Analysys Mason report for BT suggests that superfast take-up could approach 80% of all premises in the UK by 2020.
- **Recommendation 3.** CCC should **consider developing an ongoing programme of digital support for Cumbrian businesses**. SQW's surveys for this and other evaluations confirms that there is considerable demand for this, and that such support can have relatively rapid material benefits. Workshops – combining networking opportunities with the ability to interact with the trainer – can be particularly attractive and effective, according to [our recent evaluation for BIS](#).
- **Recommendation 4.** CLG should **re-visit the restriction to 'eligible SMEs' under the current ESIF calls for broadband infrastructure**. This is not a requirement of the ERDF Regulation, and the findings of this evaluation – and others – are that such restrictions have led to higher risk and poorer value for money than would otherwise have been achieved.
- **Recommendation 5.** CCC and BDUK should **continue to press BT to extend an attractive FTTP on Demand offer across its fibre footprint**, as per BT's original proposition.
- **Recommendation 6.** CCC should seek BDUK's advice on **best practice amongst the BDUK programmes in the area of keeping communities informed on roll-out extent/timings**, and should emulate this best practice in Phase 2 of the programme.

## Annex A: Stakeholder consultees

A.1 We are grateful to the following people who were interviewed for this evaluation:

**Table A-1: Stakeholder consultees**

<b>Consultee</b>	<b>Organisation</b>	<b>Role</b>
Joe Armistead	BDUK	BDUK VFM Team: Commercial Reviewer
Chris Billinge	Lake District National Park Authority	Deputy Chairman
Gillian Bishop	Cumbria LEP	Director
Fra Cooke	Partnership Board Member	Hub Coordinator
Paul Cretney	BT	NGA Programme Manager (Cumbria, Newcastle & Northumberland)
Alison Hatcher	Cumbria County Council	Senior Manager, Economic Development and Planning
Jackie McInnes	DCLG	ERDF Science and Innovation Project Manager
John Nelmes	Commendium	BIG Cumbria Project Manager
Mike Smith	Cumbria County Council	Assistant Director – Capital Programme
David Southward	Cumbria County Council	Councillor
Richard Walters	Commendium	Chief Executive
Richard Wyatt	BT	NGA Client Director North East & Cumbria

*Source: SQW*

## Annex B: Governance structure

**Table B-1: Connecting Cumbria formal governance structure**

Group	Meeting frequency	Membership	Remit
Strategic Board	Quarterly	CCC Portfolio Holder (chair), Corporate Director, Assistant Director Finance, Senior Project Manager, Secretariat, BT Project Director	<ul style="list-style-type: none"> <li>To review the strategic performance of the Agreement in the last period</li> <li>To conduct an annual review of the strategic performance of the contract on the anniversary of the agreement</li> <li>To give direction and guidance to the Strategic Deployment</li> <li>To receive reports on project progress</li> <li>To receive the draft plan for the year</li> <li>To receive financial progress updates</li> <li>To act as the high level point for relationship management between the Parties</li> <li>To act as the point of escalation for the Programme Board.</li> </ul>
Connecting Cumbria Partnership Board	Quarterly	Portfolio Holder (chair), BT Project Director, Corporate Director, Assistant Director Economic Development, Assistant Director Policy and Performance, Senior Project Manager, Schools and Learning Advisor, CALC, Chamber of Commerce CEO, Cumbria Constabulary, Cumbria NHS, Cumbria Tourism, District Council, Hub Co-ordinator representatives, ICT Connect, Lake District National Park Authority, Public Health, Primary Heads Association, Secondary Heads Association, MP's, Secretariat.	<ul style="list-style-type: none"> <li>Provide feedback from their stakeholder group on the performance of the Connecting Cumbria project</li> <li>To receive project progress reports</li> <li>To champion the work of the Connecting Cumbria project</li> <li>Responsible for the distribution of information and communication within their stakeholder groups</li> <li>To represent the Connecting Cumbria project at Regional and National meetings.</li> </ul>
Programme Board	Monthly	Corporate Director (chair), BT Project Director, Assistant Director Finance, Assistant Director Economic Development, Assistant Director Policy and Performance, Senior Project Manager, Secretariat.	<ul style="list-style-type: none"> <li>To review the Contractor's overall performance of the Agreement. These meetings will cover:</li> <li>Network build and commission (in particular, progress in implementing and operating Networks)</li> <li>SOA Implementation Payments</li> <li>Performance against the KPI's</li> <li>Operational performance (customer provisioning, technical performance and support)</li> <li>RSP and end-customer take-up</li> </ul>

Group	Meeting frequency	Membership	Remit
			<ul style="list-style-type: none"> <li>• Use of SME's on projects and approach to enabling opportunities for SME's in the supply chain</li> <li>• Review network implementation issues and minor amendments to the network build and commission roll-out plan (subject to Change Control Procedure)</li> <li>• Review of other Contract Change proposals (subject to Change Control Procedure)</li> <li>• Prepare reports for the Strategic Board</li> <li>• To act on the requirements of the Strategic Board</li> <li>• Performance against grant terms</li> <li>• Review project risk and issue logs</li> <li>• To receive reports on compliance with grant terms and conditions</li> <li>• Agree and receive updates on the joint communications strategy.</li> </ul>
Detailed Planning Group	Weekly	Senior Project Manager, BT Programme Manager, Contract Manager, Community Project Office, Office responsible for compliance with grant conditions, Street-works Permit Coordinator, Secretariat.	<ul style="list-style-type: none"> <li>• To review the weekly plan for roll out of service by post code within SOA</li> <li>• To agree variations to the plan, its impact upon delivery and mitigations</li> <li>• To review performance of the previous week and mitigation</li> <li>• To own and update the project plan described in Schedule 5.3 the project template</li> <li>• Ensure compliance with grant conditions throughout the planning process</li> <li>• To deliver the joint communications strategy.</li> </ul>
Finance Monitoring Group	Weekly	BT Programme Manager, Finance Manager, Secretariat.	<ul style="list-style-type: none"> <li>• To review financial information regarding invoicing and receipt of grant payments</li> <li>• Monitor spend against the project</li> <li>• Report any issues to the Detailed Planning Group.</li> </ul>

Source: Connecting Cumbria Governance document