Meeting of THE RURAL ASSEMBLY Sub SIG
(incorporating SPARSE Rural Members, Rural Assembly Members and
the Rural Services Partnership Meeting)
Venue:- Westminster Suite, Local Government House, Smith Square, London
SW1P 3HZ

Date: Monday 11th July 2016
Time: 12.45 pm to 3.15 pm

1.   **Apologies for absence**

2.   **Minutes** of the last Rural Assembly meeting – 11th April 2016
        (Attachment 1)

3.   **Minutes** of the last Executive meeting – 20th June 2016
        (Attachment 2)

4.   **Rural Development Programme (including Leader)**
        Verbal Report by Andy Dean

5.   **Defra LEP roundtable update**
        Verbal Report by Andy Dean

6.   **Election of Councillors to fill current vacancies until the AGM**
        Vice Chair – South East
        Vice Chair – Without Portfolio

7.   **Budget Report**
        (**Attachment 3**)

8.   **THE BIG DEBATE - BREXIT what should rural areas now be calling for?**

9.   **OFCOM Consultation – Broadband USO Design**
        (Attachment 4)

10. **Rural Services Network Events**
   a) **The Rural Conference**
   To discuss the plans for 2016

11. **Report on the RSP Service Groups**
   (a) Housing
   (b) Health
   (c) Crime
   (d) Fire
   (e) Transport

12. **Any Other Business**

Note of last RURAL SERVICES NETWORK Rural Assembly (sub) Special Interest Group meeting

Title:	RSN RURAL ASSEMBLY (sub) Rural Special Interest Group
Date:	Monday 11 April 2016
Venue:	Smith Square 1&2, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

Attendance
An attendance list is attached as **Appendix A** to this note

Item	Decisions and actions

1   Apologies for Absence

Councillor Cecilia Motley, Chair, welcomed Rural Assembly members to the meeting and noted apologies.

The Chair paid tribute to the late Cllr Roger Begy who had recently passed away. Members were reminded of his valued contribution as a colleague and previous RSN Chair. In recognition of this, the Chair invited a minute's silence.

2   Minutes of the last Rural Assembly meeting - 16 November 2016

The minutes from the previous meeting were approved.

John Birtwistle commented that it looked like the Buses Bill would be out in September

3   Minutes of the last Executive meeting – 18th January 2016

The minutes of the last Executive meeting werea noted and an update was provided on the Housing & Planning Bill.

Reference was made to the importance of RSN engagement with community groups and in particular, village halls via parish clerks.

4   Budget Report for 2015/16 and 2016/17

Members agreed the budget report which had been circulated to members in advance of the meeting.

5   Mains Gas Supply Networks in Rural Areas

It was agreed that this presentation would be postponed to the next

meeting, with the Executive considering the issues at its next meeting.

Action
Consider circulating forms requesting information to members in advance of next meeting.

Item to be included on the Executive agenda and on the agenda for the meeting in July.

6   Rural Services Network Events

Members received an update of progress and outline of future Rural Service Network Events.

- The Rural Conference, Cheltenham - 6,7 September.
- 2015-16 Rural Services Network Seminar Programme - Members noted a paper included within the agenda.

7   Devolution: to discuss the attached draft Policy Briefing Paper and thereby establish RSN Policy on Devolution

Brian Wilson introduced the draft policy briefing note on devolution. Evidence showed a strong rural and shire case for devolution but local authorities should decide themselves if they wish to do so. The government policy was that any substantial devolution would need an elected mayor but local authorities were keen that other options should be available.

Mr Wilson referred to LEPs and the need for them to match up with devolution geography. He invited comments on the draft.

Members raised several issues:
- They were concerned about associated members where city regions cross with shires and that their economies may pull different ways.
- With regard to housing and planning, there were issues about ground rules and consistencies - negotiating processes were very difficult.
- Members provided examples where lack of recognition of extreme rural areas within the scheme of devolution were evident. They agreed that there was a need for assistance and more lobbying to remind the government of the existence of rural areas and the problems faced. The Remit is about economic regeneration - rural community economies struggle to deliver.
- They were concerned about bureaucracy and additional costs in reaching agreements that do not help extreme rural communities in any way.
- Evidence showed that LEPs will be a major part of devolution deal – this has been judged on population figures which is not fair on more rural areas.

Members discussed shared responsibilities at local levels and Mr Wilson

agreed that they may not get as much in a devolution deal as they would with a mayor - but that there should still be a choice. He reiterated the importance of getting local MPs on board.

Mr Wilson agreed to amend the draft to incorporate member comments and to add information about housing.

8 Rural Sounding Board

Nothing to report.

9 Widening the Sounding Boards

Andy Dean (RSN) updated members on mechanisms for building more sounding boards and on the progress of developing websites

10 Report on the RSP Service Groups

Mr Dean went on to update members on progress of arrangements for the Alliance Rural Housing Week being held in July.

Members noted an update on the Rural Health Network and the planned re-launch in the next few months. Feedback had been received from the last conference and a product based on this would be developed and produced as a suggestion to be tested among interest groups. Key issues facing SPARSE areas needed to be addressed, including access to health care, GP recruitment/retention and high levels of rural fuel poverty. They agreed that a case needed to be made to find ways to deal with these barriers, both economically and practically.

Mr Biggs informed the group on work of the National Rural Crime Network inluding and development of the website. The 2 yea rHome Office funding grant was now finished – further funding would be dependent on on the wishesof commissioners to be elected in May and whether they would be keen to continue and be part of the crime network which would have to be self funding.

Members noted updates on Fire and Transport Groups.

11 Housing Bill – An Update on the Current Position

Members received a presentation from Monica Burns (National Housing Federation). She outlined collaborative organisations and details of their current work which included the scheme being introduced for voluntary 'right to buy'. Members noted the policy which had received a major input from housing associations and progress on pilots.

She outlined the details of right-to-buy and the rules of the scheme, informing the group that full compensation for the discounts applied will be paid by government. Sales receipts would then be used to build new homes – with the intention that all those sold would be replaced nationally.

Ms Burns invited members to comment and informed them that the NHF would be organising workshops to inform organisations of their recommendations as well as consultations on starter homes.

Members noted the presentation and agreed that any exceptions to right to buy - particularly where housing associations refuse to sell to tenants – need to be clearly stated.

The Chair thanked Ms Burns for the presentation.

Action
Circulate slides to members.

12   LEPs and Rural Areas

Mr Dean gave a presentation on member experiences of relationships with LEPs and the problems faced in setting them up to be active in very rural areas.

Members agreed the importance of continuing to emphasise the value of contribution by rural areas but were aware that there were issues which made it very difficult, such as lack of broadband. Parish councils also needed to be more involved and communication was vital as there was a real lack of public knowledge.

Action
Circulate presentation.

13   Any Other Business

Members noted that the Surrey Rural Statement was now available and would be sent to the RSN

.

The Chair thanked members and officers for their attendance and the meeting closed at 3.30pm.

Date of next meeting:
SPARSE Rural Sub SIG and SPARSE Rural Assembly sub SIG – 11 July 2016

Appendix A - Attendance

Position / Role	Name	Organisation
Chairman	Cllr Cecilia Motley	Shropshire Council
Members	Cllr Neil Butters	Bath & NE Somerset Council
	Cllr Leslie Kew	Bath & NE Somerset Council
	Cllr Peter Bedford	Boston BC
	Brian Wilson	Brian Wilson Associates
	Christopher Graffius (Observer)	British Association for Shooting & Conservation
	Cllr Geraldine Carter	Calderdale MBC
	Cllr David Ireton	Craven DC
	Cllr William Gray	East Lindsey DC
	Cllr G Nicolson OBE	Eden DC
	Cllr Rupert Reichhold	EN DC
	John Birtwistle	First Group, Head of Policy
	Anne McLoughlin	Hastoe Housing Association
	Cllr R Phillips	Herefordshire Council
	Revd. R Kirlew	Independent
	Cllr C Strange	Lincolnshire CC
	Cllr P Posnett	Melton BC
	Cllr Margaret Squires	Mid Devon DC
	Cllr Heather Bainbridge	Mid Devon DC
	Monica Burns	National Housing Federation
	Cllr Robert Heseltine	NYC
	Cllr Lindsey Cawson	North Kesteven DC
	Cllr Robert Heseltine	North Yorkshire CC
	Cllr Malcolm Leeding	OALC, President
	Cllr Y Peacock	Richmondshire DC
	Graham Biggs	RSN
	Andy Dean	RSN

	Cllr Cameron Clark	Sevenoaks DC
	Cllr David Godfrey	Shepway DC
	Cllr E Sneath	South Holland DC
	Cllr P Thornton	South Lakeland DC
	Cllr Jeremy Savage	South Norfolk DC
	Carole Clarke	South Northamptonshire Council
	Cllr P Stevens	St Edmundsbury BC
	Cllr P Sanders	West Devon BC
	Cllr Owen Bierley	West Lindsey DC
	Cllr Nick Daubney	West Norfolk BC
LGA Officer	Fatima de Abreu	LGA
Apologies	Liz Philip	Askham-Bryan College
	Cllr Roy Miller	Barnsley MBC
	James MacColl	Better Transport
	Mark Hemming, Head of Finance	Buckinghamshire Fire & Rescue Service
	Holly Jago	Calor Ltd
	Peter Shipp	Chairman & CX – EYMS Group Ltd
	Cllr Barry Wood	Cherwell DC
	Cllr Samantha Dixon	Cheshire West & Chester Council
	Paul Over	Chichester DC
	Dr P Blantern	Chief Executive, Northamptonshire CC
	Steve MacKenzie	Chief Executive, Purbeck DC
	Nick Millington	Chief Executive, Rural Media Company
	Ian Richardson	Chief Executive, Shropshire Rural Housing Association
	Lesley Tucker	Chief Finance Officer, Teignbridge DC
	Jenny Poole	Cotswold DC
	Mary Davis	Director of Finance - Devon CC
	Cllr R Gould	Dorset CC
	Cllr Paul Diviani	East Devon DC

	Paul Over	Executive Director, Chichester DC
	Steve Jorden	Executive Director, South Hams & West Devon Councils
	Cllr M Henry	Gateshead Council
	Karen Henriksen	Head of Resources, Derbyshire Dales DC
	Martin Reohorn	Hereford & Worcester Fire & Rescue Service
	Cllr P Posnett	Melton BC
	Nicky Lovely	Newark & Sherwood DC
	Cllr Gonzalez De Savage	Northamptonshire CC
	Donna Smith	Plunkett Foundation
	Gill Cameron-Waller	Policy & Partnerships Manager – Wealden DC
	James Mitchell	Royal Mail
	David Inman	RSN
	Cllr Malcolm Pate	Shropshire Council
	Kath Hemmings, Neighbourhood Manager	Solihull MDC
	Cllr Michael Hicks	South Hams DC
	Mark Hardingham	Suffolk Fire & Rescue
	Cllr P Martin	Surrey CC
	Cllr Williams	Taunton Deane DC
	Cllr Whittaker	Torridge DC
	Cllr Seccombe	Warwickshire CC
	Cllr Roger Croft	West Berkshire Council

MINUTES OF THE SPARSE RURAL AND RURAL SERVICES NETWORK EXECUTIVE, MONDAY 20TH June, 2016 HELD AT THE LGA, SMITH SQUARE, LONDON

Present:- Cllr Cecilia Motley (Chair), Cllr Robert Heseltine (First Vice Chair), Cllr Peter Stevens, (Vice Chair) Cllr Peter Thornton (Vice Chair), Cllr Janet Duncton (Observer), Cllr Derrick Haley (Vice Chair), Cllr Sue Sanderson (Observer), John Birtwistle RSP (First Group), Rev Richard Kirlew -Community (Sherborne Deanery Rural Chaplaincy)

Officers: - Graham Biggs (Chief Executive), David Inman (Director) Andy Dean (Assistant Director)

Apologies: - Cllr Gordon Nicolson OBE, Cllr Lewis Strange, Cllr Adam Paynter, Steward Horne, Brian Wilson

1. **Notes of the Main Meeting held on 11th April 2016**
   Apologies from Derrick Haley and Sue Sanderson to be noted. The election for representatives for the South and for the North would be held at the next meeting in July – Councillors Janet Duncton and Sue Sanderson respectively would be recommended by the Executive. The Unitary Vice- Chair position would be considered at the AGM in November.

2. **Notes of the previous Executive held on 18th January 2016**
   Accepted as a correct record.

Buses bill
   - John Birtwistle updated the Executive on the current position of the Buses Bill. This includes four key elements: statutory Quality Partnerships, franchising, enhanced Quality Partnerships and improved provision of information.
   - The bill has been through 2 readings in the House of Lords and reaches Committee stage in the House of Commons later this month. Legislation is intended to be in place by May 2017 when Manchester is due to take on additional powers to be enabled by the bill.
   - There will be a full session on this topic at the RSN Rural Conference in September.

3. **To consider the revised statement as to the Financial Representational Service**
   Document approved to be sent out as a position statement to all Sparse Rural member Authorities.

4. **Pixel Financial Management Report**
   (1) The Report on Business Rates was noted and accepted.
   (2) Four Briefing Notes by Brian Wilson. These were felt to be of great value.They had already been sent out to members and (by Graham Stuart) to the Rural Fair Share MPs.
   (3) The short briefing note on the needs review was duly explained and accepted..
   (4) Graham Biggs madea verbal report on the work undertaken in identifying likely top up and tariff authorities – further work was to be undertaken.

5. **LG Futures Reports**
   The following were presented:-
   (a) A paper on foreseen cost drivers of Sparsity
   (b) A paper on the value of Sparsity and Density (the provision for density in the formula was some four times higher than that for sparsity)

(c) RSDG Distribution Methodology – various options had been evaluated and this work continued. The sums involved were intended to be on top of existing RSDG allowances for super sparse Authorities.

6. **DCLG/LGA Steering Group and Needs Assessment Working Group**
RSN were on the latter group. Work was ongoing from an intended new base. Consideration would also need to be given to new services that would be allocated to Local Government and the delivery cost factors that needed to be applied to them.

It was believed that the Secretary of State intended to use ex Environmental Minister Sir James Paice in a role for part of this process. A meeting (joint RSN/DCN/CCN) had taken place with him to keep him updated. It was thought the intention might be some form of political sounding board which Greg Clark may Chair himself.

7. **Working with DCN and CCN**
Graham detailed how the three Local Government groups were all seeking to work together identifying common issues where they could all commission work and lobby together.

8. **Budget Report 2015/16 and 2016/17**
This was presented and duly noted.

9. **Blue Skies Meeting**
The next Executive would be a Blue Skies meeting. It would be an all day session dedicated to establishing the necessary platform for stronger systems to operate to both identify and represent the rural voice across all English Local Authorities. The officers would prepare introductory papers for the Executive to consider and this important meeting would take place on Monday 26th September. All Executive Members were asked to attend if at all possible.

10. **Rural England CIC Update**

David Inman and Andy Dean detailed the current position setting out the role of the Stakeholders Group (30+ leading national Organisations with a rural interest plus individuals having a strong rural background) and of the Supporter Group some 30 private sector companies paying £500 per annum led by two core supporters First Bus and Calor Ltd contributing material sums of £17k between them. To undertake the full programme identified some 214 further supporters needed to be eventually identified. It was felt necessary that the group benefit for each group of companies participating needed to be indentified category by category. A recent meeting of the current existing infrastructure grouping (Water Companies and Energy Companies) had been successful in this regard.

It was stressed how this group's research, networking and best practice work was of interest to Local Authorities individually but it needed to be entirely separate from RSN's representational work.

The CIC was preparing to release its first report on the Vulnerable Elderly in rural areas.

11. **Rural Health Network**
Graham Biggs detailed work undertaken by a consultant into the establishment of a "refreshed" Rural Health Network. Her report would be circulated to members of the Executive the following day. If no contrary views were received within a week the Network would proceed on the following basis.

- A free network with quarterly bulletins available to all Directors of Health, Health and Wellbeing Boards and Health Watch Groups in member areas together with others interested in rural health. It was hoped to eventually extend this service to CCGs in member areas.
- A Conference to be held in London every January seeking to achieve a break even position on budgeted overall network costs.

12. **Rural Conference 2016**

    The Rural Conference 2016 would be held over a day and a half at the University of Gloucestershire on the 6th and 7th September. Some 20 people had currently booked at this fairly early stage. Around 50 delegates were needed for the event to break even.

13. Andy Dean reminded members of the Rural Housing Conference (this year organised on behalf of the Rural Housing Alliance by the National Housing Federation with support from the RSN rather than the RSN itself) taking place in London on Tuesday 12th July

RSN (INCOME & EXPENDITURE) 2016/17 WITH						
ACTUAL TO END JUNE						
2016/17 ESTIMATE NO PROVISION MADE FOR INFLATION						
				ACTUAL TO	ESTIMATE	ACTUAL TO
				END	2016/17	END
				2015/16	(March 2016)	JUNE
INCOME				£	£	£
Balances at Bank B/Fwd net of o/s cheques				**19388**	**12304**	
DEBTORS FROM PREVIOUS YEAR (NET OF VAT)						
Seminar Fees				205		
Rural Crime Network					8012	8012
Infrastructure Group				500		
Rural Health Network					0	
Housing Group Related					1100	1100
Coastal Communities Alliance (Gross)					1037	1037
Fire Group					100	100
RHA Websire Development Contributions					1300	1300
Subscriptions						
SPARSE Rural/Rural Assembly				241414	251755	131400
SPARSE Fighting Fund Levy				4150		
SPARSE Rura/RA held by NKDC at Year End				5250		
SPARSE Rural/Rur Assbly/ held by NKDC at Month end						78278
VOL CONTRIBS held by NKDC at Month end						4102
Contribs to Business Rates Campaign				1000		
2016 VOLUNTARY CONTRIBS re BUSINESS RATES					41151	24500
Extra Income From Parishes					5000	
RSP				17166	14246	7705
Commercial Partner First Group Buses				10000	10000	

				ACTUAL TO END 2015/16	ESTIMATE 2016/17 (March 2016)	ACTUAL TO END JUNE	
				£	£		
Subscriptions from Rural Health Group				1975	0		
Income from Rural Housing Group				5134	6895	6895	
Income from Infrastructure Group					0		
Income from Fire & Rescue Group				1390	2930	2280	
OTHER INCOME							
Conferences/Seminars							
Rural Conference Income				13304		940	
Rural Conference Surplus					4500		
Rural Health Conference				3959	4500		
Rural Housing Conference Income				1710	0		
Service Level Agreements							
Recharges ro Rural Crime Network@				19500	25000		
Contras re RCN@				32484	15000	15000	
Recharges to Rural England CIC (Back Office Support)				600	1200		
Coastal Communities Alliance Gross)				3113	4149		
Contributions to costs of Parish Guide to Affordable Housing				500			
Contributions to RHA Website Development				1700		300	
Miscellaneous							
Contras				215		604	
CALLS FOR EVIDENCE/RURAL PANEL SURVEYS					1500		
VAT							
VAT Refund				13240		2959	
VAT Received				12870		4332	
TOTAL INCOME				**410767**	**411679**	**290844**	

			ACTUAL TO END 2015/16	ESTIMATE 2016/17 (March 2016)	ACTUAL TO END JUNE	
			£	£	£	
EXPENDITURE						
VAT Paid on Goods & Services			27421		7821	
CONTRACTS FOR SERVICES ACTIVITY BREAKDOWN (EST)						
Corporate Management		DI,GCB, & AD1 100%. KB 40%	55662	72074	14708	
Finance/Performance and Data Analy	, DW, 100%, KB 20%		29508	28897	7177	
Communications (incl Seminars)		Rose Regen,JT, AD3 100%	6831	8500	375	
Administrative and Technical Support	RI, WI,WC,BA,MB 100%		46694	49627	10504	
Research and Monitoring		BW, JH, 100%	14990	11837	316	
Service Group Networking		KB40%	3100	8305	1981	
Economic Development Service		AD5 100%	5000	5000	1250	
Coastal Communities Contract			3650	3650		
Rural Health Network			3000	3030	750	
Rural Crime Network		NP 100%	17000	20200	5050	
Rural Communities Housing Group		AD2 100%	6500	6500	1625	
Rural Transport Group		AD6 100%	2000	2000	500	
Rural England/Vulnarability Service		AD4 100%+ JT £6000	6750	3000		
OTHER EXPENDITURE						
Rural Fair Shares/Business Rates "Campaigns"						
Rural Fair Shares Campaign etc.			22376	18000		
Fair Shares Campaign Media Relations			1868	2245		
SPEND FROM VOLUNTARY CONTRIBS (BUSINESS RATES)				41151	18584	
Conferences/Seminars						
Rural Conference			9394		1260	
Rural Health Network & Conference			1388	1900		
Rural Housing National Conference			1262	0		
Seminar Costs			662	1000		

						ACTUAL TO END 2015/16	ESTIMATE 2016/17 (March 2016)	ACTUAL TO END JUNE	
Service Level Agreements									
Rural Crime Network Refund of overpayment@						20082			
RCN Re-Charges@						23340		12500	
RCN Travel & Subsistence						825	825	433	
Rural Housing Group (RHG)						169	3000	115	
RHG Website Development						1000			
Rural England CIC to re-charge)						10786		219	
Rural Ingland CIC transfer of part of First Group Support							7000		
APPG Costs						620	1200	439	
Business Expenses									
RSN Online						24180	24180		
Travel and Subsistence						16797	18000	3050	
Print, Stat,e mail, phone & Broadband@						4116	6000	781	
Meeting Room Hire						2810	2000	100	
Website and Data Base software etc						4267	4300	900	
Rent of Devon Office & Associated Costs						4959	9000	413	
Accountancy Fees						710	720	220	
NKDC Services							2145		
Companies House Fees						13	13		
Bank Charges						101	110	18	
IT Equipment &Support & Other Capital						1110	1800	937	
Insurance						549	600		
Phd in Rural Crime Contribution						1000			
Training						50			
Corporation Tax						674	340		
Membership of Rural Coalition						200	200		
Refunds of Overpayments/ Contras@							2380	600	

		ACTUAL TO END 2015/16 £	ESTIMATE 2016/17 (March 2016) £	ACTUAL TO END JUNE £	
ARREARS - PREVIOUS FINANCIAL YEAR					
Rural Housing Alliance		1000	1482		
Business Rates Campaign arrears			1600		
Contract for Service (ADMIN)		1395	1649	1349	
Contracts for Service (CORP MAN)			2427	2427	
Rose Regeneration		2057	2000	2000	
Seminar Costs			324	324	
B Wilson Arrears		4750	3525	3525	
RSN Online arrears		4840	4840	4840	
Travel and Subsistence arrears			768	768	
Printing, Phone and Stationery (arrears)		204	199	199	
Data base etc (arrears)		344	355	355	
Bank Charges			9	9	
Rural England		100			
TOTAL EXPENDITURE		**398104**	**389907**	**108422**	
BALANCE CARRIED FORWARD		**12304**	**21772**		

Consultation response from the Rural Services Network

Designing the broadband universal service obligation

Regulator Ofcom is seeking views about the design of the proposed broadband universal service obligation (USO). This response comes from the Rural Services Network (RSN), a membership organisation which represents 154 local authorities (counties, unitaries and districts) and around 90 other rural service providers (such as police authorities, fire and rescue authorities, housing associations and public transport operators). Thousands of parish/town councils and community bodies are also associate members. The RSN exists to: make representations on issues affecting rural services; promote active networking among rural providers and sectors; and establish and broadcast rural best practice.

The Ofcom cover sheet for consultation responses has also been completed and is submitted along with this document.

The RSN wishes to note that, despite its reservations with some of the current proposals, it supports the principle of a broadband USO. Government intervention through the Superfast Broadband Programme has enabled networks to extend into rural areas where there has been a market failure. This is benefitting many rural households and businesses, albeit often in the easier-to-reach rural areas. Renewed effort is now required to reach the final 5% of premises, most of whom are in rural locations and who still constitute around a quarter of all rural premises.

As information about the USO has been released it has become clear that the proposal is, in fact, simply a 'right to request' access to a broadband network and is not universal provision of access to such networks. This is very disappointing and means that households and businesses in the final 5% are being treated quite differently from those in the 95%.

How should the minimum technical performance of the USO be specified?

Download speeds: the RSN accepts the evidence which indicates that 10 Mbps is currently an acceptable minimum download speed, enabling the average user to conduct everyday online activities. A key issue is that what constitutes an acceptable download speed is continually increasing. This has implication for reviewing the USO (see below). Indeed, depending how quickly the USO is introduced, it may even be that by that stage 10 Mbps is looking out-of-date. Ofcom should therefore review the figure just prior to USO introduction if this does not occur within the next year or two.

Other performance factors: many users find that their connection speed varies quite considerably throughout the day. Contention can seriously affect the user experience and degrade the connection speed, so would be relevant to include within the USO specification. It would also be appropriate to include a minimum upload speed in the USO, since large file sharing and the like will prove difficult at slow connection speeds.

How should we ensure the USO is affordable?

The RSN is clear in its view that premises which cannot currently achieve an acceptable broadband connection should not be financially penalised simply because of where they live or work. Some form of uniform pricing structure is therefore required for USO provision. This would be in line with other USOs, such as that for postage.

We return to the topic of user costs under later questions.

Should there be a social tariff for broadband services?

Given moves towards digital by default services and an (often accompanying) loss of outlet-based services, there is a strong case for introducing a social tariff to help low income groups go online and reap the benefits. Indeed, there will be particular benefits from enabling low income groups to access online services through a decent broadband connection. For example, visiting outlet-based services may be hard if they have no access to a car and (as in many rural areas) there is no or limited public transport. It would also make it easier for low income groups to access online account and bill payment e.g. for utilities, which is typically cheaper.

What might the potential demand for the USO be?

Evidence from the roll out of broadband networks to-date is that the highest take-up of superfast services is typically in places which previously had the slowest connection speeds. This finding has again been reached in the DCMS assessment of the superfast broadband pilot projects. Indeed, high take-up is responsible for the success of claw-back arrangements under the present Superfast Broadband Programme (with BT recycling the public subsidy it received if take-up exceeds a commercial level). Poor broadband connectivity remains a frequent complaint of rural businesses, indicating latent demand.

It seems logical, therefore, to assume that demand for a USO connection will be relatively high in the final 5% areas and that such demand will increase over time.

Cost evidence

Cost evidence: the RSN does not hold technical information about the relative costs of different network technologies. However, from the experience of our members delivering the Superfast Broadband Programme, we note that extending the fibre network is unlikely to prove a realistic option in some deep rural areas. From a practical standpoint it is difficult to see how the USO could be implemented fully and effectively without embracing other technologies e.g. wi-fi networks.

We also believe that experience shows community-run broadband networks can offer good value for money and a flexible approach in rural areas.

The DCMS evaluation of the superfast broadband pilots would seem to back this position, having demonstrated the cost-effectiveness of alternative technologies in the cases it studied.

Proportionality and definition of a reasonable cost

We strongly support the notion that the cost of providing a USO connection to consumers should not be disproportionate. However, the basic design proposal for the USO, as set out in this consultation document, would lead to unreasonable connection costs for some rural consumers, especially in the most remote or sparsely populated areas. By definition the remaining areas are likely to be relatively high cost to provide for. Setting a £3,400 (or similar) connection cost threshold will impose a cost penalty on many rural consumers, which in certain cases could be very high. The USO could be especially unfair to the farming community.

We do not think it is either fair or reasonable to make consumers responsible for all of the costs above such a threshold. This will result in some deciding to forego a broadband connection and will particularly hit low income rural households or financially marginal rural businesses.

Paragraph 1.22 raises two further complexities, which indicate that a threshold proposal will be all but unworkable (at least in any fair sense). They are:
- How can a requesting consumer know that the connection cost quoted to them by a network provider has been fairly computed and is not inflated to build-in a consumer contribution? and
- How can such a system work when different consumers in an area are bound to seek a connection at different times? Aggregation of demand in an area could prove useful up to a point. But it still seems inevitable that the first consumer(s) to request a USO connection will be asked to pay all of any excess (i.e. above threshold) costs, whilst later consumers can piggy back on that network roll out at no excess cost.

We conclude that the proposed threshold is both fundamentally unfair to the final 5% of consumers and is likely to be unworkable in the real world.

Paragraph 1.23 hints at a better solution for some (though not all) areas. Existing networks, whatever their technology, need to be assisted to extend their reach as far as is possible into the final 5%. This should make best use of innovations such as fibre to the remote node.

Ensuring efficiency

As noted above, we consider that it will be hard to ensure a least cost approach from USPs. There is unlikely to be much (or perhaps any) competition to deliver broadband services in some of the last 5% areas, given their inherently uncommercial geography.

The RSN, does, however think that any public sector funding contribution can be based upon assumptions of relatively high service up-take in these areas (see above).

How should the universal service provider be designated?

It is not easy to see how a USO which applies to more than one organisation (at least within any given geographic area) could be workable. Ultimately there will need to be one designated organisation which is accountable for meeting the USO.

As a matter of principle, however, we support the work of alternative networks and community-based providers to deliver to rural communities. We would not wish to see their efforts in any way financially undermined, including by overbuilding of their networks. If a way can be found to bring them into the USO mix that would be supported and we are open to the proposition that they could be the designated universal service provider in particular hard-to-reach areas.

Funding the USO

There are two issues with the consultation proposal, one relating to the threshold sum and one relating to construction charges which exceed the threshold.

Threshold sum: it would clearly be unfair if all of this cost were to fall on the designated provider of the USO. We do not have a strong view whether the public sector should contribute towards this sum. We do, though, think that all significant industry providers should contribute their share of its cost. This will ensure that providers who chose to cherry-pick the most lucrative markets are not gifted an even greater competitive advantage than they already have.

Excess construction charges: the RSN feels very strongly that it will be unfair if these charges fall on consumers who happen to live or work in last 5% areas (other than in exceptional circumstances). We wish to see a successor to the Superfast Broadband Programme that is focussed on extending (minimum) 10 Mbps networks to these areas. As we have said in the past, it is unfortunate that the current Superfast Broadband Programme has been allowed to deal with so many commercially marginal or easy-to-reach areas instead of focussing on the hard-to-reach areas with significant market failure, where the case for public sector intervention has been clear-cut. We recognise that public expenditure is under pressure, but also that broadband connectivity is a high priority issue that will drive economic growth and generate social benefits. It will enable rural areas to contribute more productively to the national economy. In an ever more digital world it is a matter of basic fairness that final 5% areas are not financially penalised.

One clear way to reduce the costs for providers and customers alike would be to put renewed effort into demand aggregation, raising awareness of broadband, identifying interested customers and promoting take-up. This will require engagement with local authorities, third sector agencies and community groups at the local level.

How could any potential market distortions of competition be minimised?

As noted above the RSN considers it important that the USO does not operate in a way which financially undermines alternative technology and community-based providers by overbuilding their networks. Many are operating in financially marginal areas and need time to become established or recoup investment costs. Rather, we would like to see a USO which encourages their efforts.

In final 5% areas with no such existing networks, however, the risk of market distortion seems (by definition) minimal, since there is apparently no competition to deliver there.

When and on what basis should the USO be reviewed?

It is recognised that the USO cannot be continually altered if it is to be operable for service providers. However, applications for and expectations of online connectivity are constantly changing. What was a fast broadband connection five years ago would now be considered slow.

It will therefore be important for Ofcom to review what constitutes an acceptable minimum download speed (as well as any other specifications) on a regular basis. In our view this would need to be roughly every three years, which in any case fits with the typical public spending cycle.

One question that arises is whether an occasional up-rating of the USO will only apply to customers who in future seek a broadband connection or whether it will apply also to those customers with an existing broadband connection. If it is just the former the concern must be that uncommercial areas, which were previously provided with broadband connectivity, start falling behind once again. Clarity will be required on this point.

Rural Services Network
June 2016