

# Final Evaluation of the Next Generation Broadband Wales Programme

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## Executive Summary

### 1. Introduction

- 1.1 SQW, working with BMG Research, was commissioned by the Welsh Government to undertake an independent impact and process evaluation of Superfast Cymru. The evaluation included surveys of enterprises and households (covering those that had and had not adopted superfast broadband); consultations with partners and stakeholders involved in the programme; and the development of an impact model to estimate the net economic, social and environmental impacts of the programme. Primary research was also undertaken with apprentices.

### 2. Programme overview

- 2.1 The rollout of publicly funded superfast broadband forms a key part of the Welsh Government's Digital Wales Strategy, and is a priority for the European Commission through the Digital Agenda for Europe. The Welsh Government made the commitment in its 2011 Programme for Government for all residential premises and all businesses in Wales to have access to next generation broadband by 2015 (now extended to 2016).
- 2.2 Following an Open Market Review in 2011 that identified over half of premises in Wales would not be covered by the commercial roll-out of superfast broadband services, the Welsh Government established the 'Next Generation Broadband Wales' programme, known as Superfast Cymru, to extend superfast coverage to those areas not covered by commercial roll-out.
- 2.3 Superfast Cymru provides gap funding to stimulate private sector investment into upgrading the infrastructure in those areas that are not covered by commercial superfast broadband rollout plans, (the 'intervention area').
- 2.4 The programme secured £205 million of public funding to bring superfast (24Mbps+) broadband access to 691,000 premises (95 per cent of the 727,000 premises in the intervention area), with speeds of at least 30Mbps available to 655,000 of these premises (90 per cent of the intervention area premises). Combined with the commercial roll-out, Superfast Cymru aimed to ensure that 96 per cent of all premises in Wales would have access to fibre-based services. The programme also included an apprenticeship scheme, and a marketing and awareness raising programme to stimulate demand from households and businesses across Wales.

- 2.5 The programme was funded from the 2007-13 ERDF programmes in the Convergence and Competitive regions of Wales (£90 million), the Welsh Government (£59 million), and Broadband Delivery UK (£57 million). A further £52 million of private investment was committed by BT, the selected commercial delivery partner.

### 3. Key findings

- 3.1 As at September 2015, Superfast Cymru had delivered substantial achievements:

- **About 520,000 premises have been passed** by the intervention's superfast services, with 97 per cent of these premises able to access 30Mbps+, and the roll-out is currently on course to meet its target of 691,000 premises passed by summer 2016. Given a six-month delay at the start of the programme owing to State Aid-approval (outside of the control of the Welsh Government), and the challenges associated with Wales' topography, this represents a major engineering and operational achievement.
- **Take-up has been reasonably strong**, with take-up levels standing at 23 per cent in the intervention area by September 2015. Clawback mechanisms (see below) will ensure that coverage can be extended further, alongside the additional coverage enabled by the further funding under the next phase of the programme announced in September 2015. The Welsh Government has recently introduced a take-up target of 50 per cent by 2024, but this may be too low: our surveys suggest that take-up levels in the order of 60 per cent would be realistically achievable in the next two years (i.e. by 2017) for both households and businesses.
- **Business benefits are being realised for those businesses taking up superfast broadband** in the intervention area. Of those 'adopter' businesses surveyed expecting some material benefit from superfast broadband: 74 per cent agreed that their business will save time; 59 per cent agreed that their business will be able to address new market opportunities; 47 per cent agreed that their business will be able to scale-up more easily; and 41 per cent agreed that their business's profitability will improve. When asked how likely it is that superfast broadband will have a positive effect on their business's performance over the next three years, the average score was 6.2 out of 10, with 16 per cent saying that this was absolutely certain (10 out of 10).
- **Significant benefits are being experienced by households taking up superfast broadband** in the intervention area. Of the 70 households interviewed which had taken up superfast broadband: 77 per cent agreed that it would help their household save time (of which 53 per cent agreed strongly); 65 per cent agreed that it would help their household get better access to educational opportunities; 59 per cent agreed that it would help their household enjoy leisure time more; and 57 per cent agreed that it would help their household feel better connected with friends and family.
- Discounting at 3.5 per cent p.a. over the modelling period to 2024, the Present Value of the total public funding for the programme is approximately £202 million (in 2015 prices), whereas the Present Value of the net GVA impacts over the period is £1,348 million. This gives a **positive Net Present Value of approximately £1.1 billion, and a Benefit Cost Ratio of 6.7**: that is, every £1 of public money invested in Superfast Cymru is expected to generate £6.70 in net economic benefits for Wales over that period.
- **ERDF outputs have largely been met**. With some months left for the delivery of the programme, the formal ERDF targets established for the programme on the creation of 'Open Access Infrastructure Points', and jobs created have been delivered. Further, the perceptions of the apprentices taken on by BT, in support of this programme, have been positive.

- The evaluation evidence indicates that **overall the programme has been well managed by the Welsh Government**. Key factors included an effective Programme Board, a well-resourced and technically-sound project team, and full engagement with BT in the programme's governance and management: BT's participation on relevant Boards helped to facilitate a 'partnership' approach' to delivery.

### 3.2 Other positive elements of the programme's delivery include:

- a dedicated process of cabinet verification and speed checking that may be regarded as 'best practice' and should be considered by other similar programmes across the UK
- a contract with appropriate 'clawback' provisions meaning that once take-up of services using the subsidised infrastructure reaches a certain level, additional funding will be made available from BT for re-investment in extending coverage further
- integrating effectively the skills and workforce development activities into the infrastructure programme, leveraging BTs existing processes.

### 3.3 However, the evaluation identified some areas where things could have been done differently in order to improve the programme's effectiveness. Four key issues were identified in the evaluation:

- **Information sharing between BT and the Welsh Government.** The availability of detailed historical and forward-looking information from BT has been a challenge in delivery, and the Welsh Government has been frustrated at times over BT's reluctance to share information. Bearing in mind the extent of public funding being used for the infrastructure build, greater openness to sharing such information would have been helpful for all concerned – for example, in helping to manage public expectations regarding service availability. This would have been in keeping with the programme's broader spirit of partnership working.
- **The marketing and communications of the programme.** Significant resource has been put into marketing and communications, by BT and the Welsh Government. However, consistent with other reviews of the programme by the Welsh Audit Office and National Assembly, the evaluation indicates that this has been an area of challenge, with issues identified including inconsistency in messaging regarding the timing of roll-out to local areas, and in some cases issues in the communication between BT and Local Authorities and other stakeholders. Arguably a more coherent and strategic approach to marketing and communications may have helped accelerate the socio-economic impacts of superfast broadband, and an appropriately challenging target for take-up would have helped to focus this activity.
- **Lack of visibility on business take-up.** While overall levels of take-up have been reported, the monitoring data is not able to identify the levels of take-up by businesses, which is the primary driver of the intervention's economic impact. The evaluation's survey provides some baseline information on business take-up – estimated at around 28 per cent of businesses for those areas where superfast broadband has been available for at least six months – and this could be built on going forward.

### 3.4 In light of the findings of the evaluation, we make the following recommendations:

- **Recommendation 1.** The Welsh Government should continue to stimulate demand for superfast broadband, in conjunction with the market. This will help to maximise the social and economic impacts of the intervention, but will also help to pull through further clawback funding.

- **Recommendation 2.** The Welsh Government should re-visit its (recent) target for superfast take-up, and consider setting this at a more ambitious level. A recent Analysys Mason report for BT suggests that superfast take-up could approach 80 per cent of all premises in the UK by 2020.
- **Recommendation 3.** The Welsh Government should consider conducting further surveys – potentially every two years – in order to assess how business take-up is progressing, and what outcomes businesses are experiencing from using superfast services. This survey work could be considered as part of the Superfast Exploitation Project.
- **Recommendation 4.** The Welsh Government should consider requiring new build developments over a certain scale to have access to affordable superfast broadband services (i.e. without the need for public subsidy).

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Available at:

<http://gov.wales/statistics-and-research/evaluation-next-generation-broadband-wales-programme/?lang=en>

Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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