

Update on Connecting Devon & Somerset and Superfast Broadband provision in South Somerset

Executive Portfolio Holder: John Clark, Economic Development and Commercial Strategy
Director: Alex Parmley, Chief Executive
Lead Specialist: Peter Paddon, Economy Lead Specialist
Specialist: Joe Walsh, Specialist Economic Development
Contact Details: Joe.walsh@southsomerset.gov.uk or 01935 462289

Purpose of the Report

1. To provide members with an update on the Connecting Devon & Somerset Superfast Broadband Extension Programme following termination with Gigaclear
2. To provide an overview of the opportunity to formally join the Connecting Devon & Somerset programme with a financial contribution
3. To provide members with an update on DCMS's (Department for Digital Culture Media and Sport) Gigabit Broadband Voucher Scheme

Forward Plan

4. This report appears on the District Executive Forward Plan with an anticipated Committee date of 07/11/2019.

Public Interest

5. Many rural businesses, other premises and communities still do not have access to Superfast Broadband (SFB) and remain unable to realise their full digital on-line potential. Access to online services is becoming increasingly important. Residents, businesses and communities should not be left disadvantaged because they are unable to access online opportunities quickly, and reliably.
6. This report provides an update on phase 2 of the Connecting Devon and Somerset programme roll-out following the termination with Gigaclear. It also offers a potential solution for premises that will or might remain unconnected beyond the conclusion of that programme.

Recommendations

That District Executive:

- i) Note the content of this report
- ii) Agree to financially contribute to join Connecting Devon and Somerset in line with the Council's Economic Development Strategy Priority Theme 2.2 of:
Continue to support and secure delivery of superfast broadband and mobile communications to rural and urban businesses in South Somerset
- iii) Should Members confirm that they wish to invest, to delegate the negotiations of a final financial contribution to the Portfolio Holder for Economic Development including Commercial Strategy in consultation with the Chief Executive, S151 Officer and Solicitor to the Council. Any such sum would be included within a further recommendation to District Executive on Thursday 5th December 2019 where final approval will be sought.

Background

7. In 2016, CDS requested that SSDC commit funding of £640,000 to formally join the programme. This was debated at District Executive and it was decided that funding could not be provided until it was known exactly where the money would be spent and approximately how many premises would be connected as a result of the expenditure. Due to this information not being provided SSDC did not contribute to Phase 2 of the CDS programme.
8. In September 2019, the CDS Phase 2 contract with Gigaclear operating across South Somerset was terminated. Therefore, the opportunity has once again arisen for SSDC to join the programme before the retender (subject to agreement with the CDS Board). Separately there are currently other opportunities to connect to SFB in South Somerset such as BDUK gigabit voucher scheme which is operating in those areas that might not have benefited from the CDS programme.

Report Detail

The CDS contract for Phase 2

9. CDS decided to divide Somerset and Devon into 6 “lots” and the National Parks to make the procurement and delivery more effective. The remainder of this report focuses on the contract which was issued for the lots that cover the South Somerset geography.
10. The contract to provide the infrastructure for Phase 2 of the Superfast Broadband Extension Programme was awarded by CDS to Gigaclear. This was reported to the District Executive Committee in January 2017. The Phase 2 provision of Superfast Broadband is only to those areas that will not be met by the commercial sector.
11. In September 2019 CDS announced that they had terminated Gigaclear’s five year contract. Unfortunately, Gigaclear were significantly behind schedule and a proposed recovery plan was deemed to be unacceptable by CDS. A Programme Briefing Paper was provided by CDS to all elected members. This can be found in **Appendix A**. It should be noted that the National Parks delivery programme continues, as this was not awarded to Gigaclear.

Next steps

12. Phase 2 of the CDS programme will be progressing with a new procurement to replace broadband infrastructure coverage for the Lots where contracts have been terminated due to the supplier’s failure to meet contract milestones.
13. The procurement will be approximately 12 months duration. It is expected that new contracts will be awarded around November 2020. The National Broadband Scheme state aid authorisation will expire at the end of December 2020 and contracts need to be awarded before then.
14. CDS is currently undertaking an Open Market Review (OMR) a process which is required to gain State aid clearance. This process tests the market plans to help to identify the areas which are not due to receive coverage from commercial providers in the next 3 years. The analysis of the plans is reviewed with BDUK and is put out to public consultation for at least 1 month. Final analysis is also subject to BDUK review.

The opportunity to formally join the Connecting Devon and Somerset programme with a financial contribution

15. Due to the re-procurement of the Phase 2 contract SSDC has the opportunity to formally join the Connecting Devon and Somerset programme with a financial contribution
16. Previously the sum of £640,000 has been requested from SSDC. This figure was based on the amount of eligible premises in the district. An eligible premise is one which is not planned to be connected through a commercial provider (identified through the OMR) and does not already have access to superfast broadband. If SSDC wishes to join the collaboration it would need to confirm the amount of funding that it would wish to invest. The collaboration agreement provides that each district's funding would be ring fenced for that district. Whilst it is expected that an offer of a contribution by SSDC would be accepted by the CDS Board, there is no cast-iron guarantee of this.
17. SSDC can choose to contribute less than the £640,000 requested by CDS. As with the initial funding request in 2014 we are unable to say how many additional premises will benefit from an additional SSDC investment. This will depend on the successful applicant's business case which will be unknown until the procurement process has closed.
18. We are able to confirm that additional investment will result in additional premises being connected in South Somerset. There are currently approximately 12,500 premises that would be eligible for CDS subsidy in South Somerset. Unfortunately there is no way of knowing how many of these premises would be connected as a result of SSDC putting in additional monies.
19. The funding approach is currently being worked through by CDS and is dependent on the number of eligible premises across the region and the amount of funding available from differing sources. During the initial Phase 2 contract funding was allocated in South Somerset from:
 - i. Building Digital UK (formerly Broadband Delivery UK)
 - ii. Somerset County Council
 - iii. Heart of the South West Local Enterprise Partnership
 - iv. European Regional Development Fund
20. Other Somerset districts had additional money available to build in their area due to their own contributions.
21. Contribution to the programme will also provide SSDC the opportunity to gain a position on the CDS Board however this will need to be agreed with other Somerset Authorities and is likely not to be until 2 years' time. Contribution to the programme would allow SSDC to be involved with the procurement process.
22. The procurement is due to be launched later this year. If SSDC wishes to join the collaboration it will need to confirm the amount of funding it wishes to invest, and agreement must be reached with other collaborating partners regarding SSDC admission to the collaboration and documentation signed to formalise this.
23. CDS will continue to work on its procurement and will not be able to delay the launch of the procurement if SSDC is not able to commit prior to launch of the procurement.

Superfast Broadband and State Aid.

24. The provision of Superfast Broadband across the U.K. would not be possible without heavy financial subsidy from the Government. Under E.U. regulations the introduction of such funding is deemed to constitute 'State Aid'. In order to move the project forward BDUK successfully applied for a State Aid exemption from the European Commission for their *2016 National Broadband Scheme*. As CDS is effectively a sub-division of BDUK, both Somerset and Devon are covered by this State Aid exemption.

Alternative provisions

25. There are ways in which rural businesses and communities can currently move forward. SSDC Officers will continue to promote these, and other relevant, schemes as appropriate.
26. In March 2018 BDUK introduced its 'Gigabit Voucher' scheme that allows rural business to claim £2,500 for Ultrafast Broadband (UFB) connections and their neighbouring residential properties an additional £500 each. Such work would need to be undertaken by an appointed supplier. This voucher scheme also enables communities to 'pool' vouchers to help meet broadband costs. These vouchers are allocated by BDUK (who have State Aid exemption), but any shortfall in costs currently have to be met by the businesses and communities themselves. To date South Somerset has benefited from over 100 Gigabit Vouchers.
27. The CDS Community Challenge Fund will be launched later this year, following successful pilots in Devon and Somerset, enabling local communities to have a real hands-on say in new networks for their areas, and we are advancing a new collaboration with BT to extend coverage in rural areas.
28. Connecting Devon and Somerset are also offering the BDUK Better Broadband Voucher Scheme which provides £350 to premises that cannot receive 2mbps.
29. In March 2020 the broadband universal service obligation will be instated. This will give people in the UK the right to request a decent and affordable broadband connection. Under the USO, eligible homes and businesses will be able to request a connection, where the cost of building it is no more than £3,400. Government have deemed a decent broadband connection is considered 10mbps and above.
30. The Government launched a Rural Gigabit Connectivity Programme. Under the previous CDS contract the vast majority of South Somerset would not have been eligible for this scheme due to public funding already being allocated to sites across the district. We are now aware of some activity through this scheme with 26 x £1,500 (£39,000) residential vouchers already claimed.

31. Summary

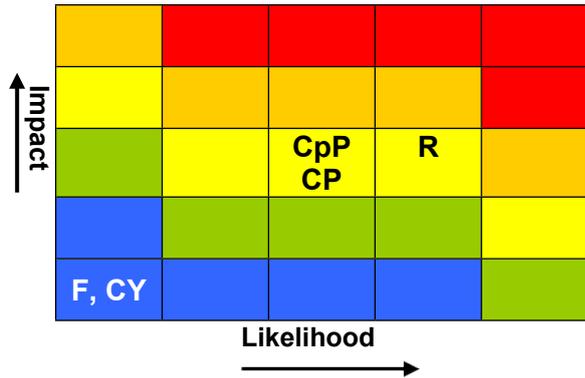
- Connecting Devon and Somerset have terminated the Phase 2 contract with Gigaclear.
- As a result of this termination SSDC have the opportunity to formally join the Connecting Devon and Somerset programme with a financial contribution – this will be subject to approval from the CDS Board.
- Any funding SSDC contributed will be spent within South Somerset.
- It is unknown how many premises will be delivered as a result of additional funding however there are 12,500 premises that would be eligible for funding.
- Contribution does not secure SSDC a place on the CDS Board.
- CDS have, again, suggested a contribution of £640,000 – SSDC have the opportunity to contribute less.
- Broadband delivery will continue through CDS, voucher schemes and commercial investments regardless if SSDC decide to contribute to CDS.

Financial Implications

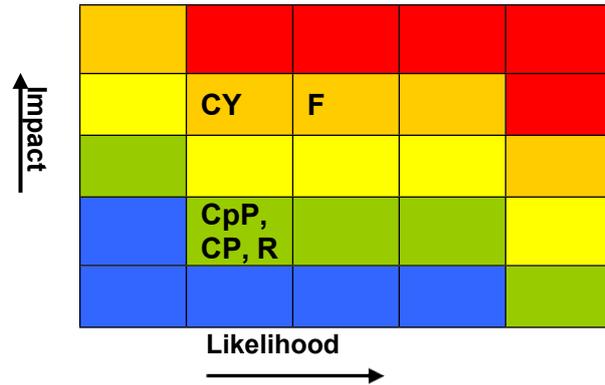
32. The financial implications to be confirmed prior to final sign off at District Executive on 5th December

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

To support the Council Plan Economy theme: To promote a strong and growing economy with thriving urban, rural and land-based businesses.

Additionally, the Council’s Economic Development Strategy Priority Theme 2.2 of: *Continue to support and secure delivery of superfast broadband and mobile communications to rural and urban businesses in South Somerset*

Carbon Emissions and Climate Change Implications

Increased SFB / UFB will increase the opportunity for residents and businesses to work from home / local premises reducing the need to travel and therefore emissions.

Equality and Diversity Implications

Increased SFB / UFB will potentially increase opportunities for social inclusion and education in more remote locations – reducing the amount of travel require.

Privacy Impact Assessment

Not applicable

Background Papers

<http://modgov.southsomerset.gov.uk/ieListDocuments.aspx?CId=136&MIId=2292&Ver=4>