

Superfast Broadband Extension Programme – Decision on SSDC funding contributions

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1. Purpose of the Report

This report seeks a final decision from the District Executive Committee to review the in-principle commitment (made by the District Executive Committee on the 19th June 2014) to commit £640,000 to the Connecting Devon and Somerset (CDS) Superfast (broadband) Extension Programme (SEP).

2. Public Interest

In the past three years much of South Somerset has benefitted from the roll-out of superfast broadband. By the end of 2015, 90% of premises in South Somerset will be able to gain access to superfast broadband as a result of the initial Superfast Broadband programme. CDS, the programme organisers, now aim to increase the availability of superfast broadband to 95% of South Somerset premises under the Superfast Extension Programme. This programme takes advantage of various UK and European funding streams that would multiply the value of South Somerset District Council's contribution.

3. Recommendations

Note: Additional information will be made available following the CDS technical assessment of the BT bid for the SEP during the timeframe 18th May- 25th May. (See Appendix 1) This additional information will be presented as a verbal update at the District Executive Committee. At that stage members are asked to consider the information then available and decide whether the in-principle decision to commit funding of £640,000 to the SEP is confirmed.

It is **Recommended** that:

1. Should members confirm their in-principle commitment, the grant of £640,000 is funded from useable capital receipts as a contribution towards the Connecting Somerset and Devon Superfast Extension Programme and if this is agreed;
2. The loss of interest of £19,200 is added to the Medium Term Financial plan for 2016/17 and beyond.

4. Background

On the 19th June 2014, South Somerset District Council District Executive agreed in-principle to a capital funding commitment of £0.64m which when added to the funding from the County Council, LEP, and BDUK would deliver Superfast Broadband availability to an additional 5% of the district (approx. 6,290 additional premises) by the end of 2017 through the Superfast Extension programme (SEP). This would mean delivery to 95% of

the district, since 90% will already be delivered under the current Connecting Devon and Somerset (CDS) programme.

SSDC's contribution of £0.64m to the SEP funding package will see our contribution matched by BDUK (Broadband Delivery UK – the government funded programme) making a total of £1.28m that would be invested in the CDS programme as a result of SSDC's involvement.

If SSDC does not commit to the SEP then both SSDC's contribution and the BDUK match funding element are lost to the overall SEP budget.

This report is about the Superfast *Extension* Programme and our financial contribution to that programme. It does not cover the current Superfast Broadband Programme (or its commercial roll-out) which is now nearing its target of 90% of premises. The extent of the current programme can be viewed on the CDS website at:
www.connectingdevonandsomerset.co.uk/where-when

The June 2014 District Executive:

1. Agreed to contribute an in-principle and maximum £640,000 to expand the availability of superfast broadband subject to:
 - Satisfactory provision of a detailed assessment of the superfast broadband extension roll-out programme from which it is clear that it is favourable and beneficial to businesses in South Somerset
 - A satisfactory partnering agreement and governance arrangement to ensure that this Council is fully engaged and involved in the delivery of superfast broadband
 - A satisfactory return can be guaranteed from the investment
2. The detail of any proposed negotiation/agreement are reported back to District Executive for their decision
3. Requested a wider report on the alternative options/providers

5. Report

Responses to the June 2014 resolutions.

The individual resolutions/requests are show below in bold italics

SSDC officers have worked closely with Somerset County Council's CDS Programme Manager to obtain as much information as possible to assist the District Executive Committee in their decision making. The process has been made less easy because SSDC (along with East Devon District Council) has not signed the non-disclosure agreement (NDA) which affords access to more detail. The benefit of signing the NDA is not fully clear as any disclosures made in the project programme cannot then legally be shared in public. The NDA is a legally binding, enforceable agreement and exists to protect the commercially sensitive data that the SEP contains

Satisfactory provision of a detailed assessment of the superfast broadband extension roll-out programme from which it is clear that it is favourable and beneficial to businesses in South Somerset

It has been confirmed that in the programme no distinction is made between business premises and residential dwellings, as the target is 95% of all premises. CDS have said that through the SEP contract they will try to ensure that as many businesses premises as possible are connected. The target against which the contract is being awarded (and will be measured) is the total number of premises and this will include domestic and business premises.

Members had expressed concern that business premises were not specifically being targeted for connection under the SEP, but it remains the case that although businesses will be included in the programme, the target will include residential premises.

SSDC have asked for the postcode breakdown of premises expected to be connected through the SEP. We have been told this is not possible to share if we were supplied, because of commercial confidentiality. We do however hope to be verbally able to report to the committee the target number of premises per Area of South Somerset.

We have researched the broadband speeds of the South Somerset business parks. Approximately 50% of the parks were already served by superfast broadband and those that weren't had reasonable ASDL (copper feeds) of up to 7.5 MB available through enhanced packages from various service providers. We do not know whether all of our business parks will ultimately be enabled with Superfast Broadband.

We noted that several complaints from small businesses have been generated not because of the unavailability of local superfast broadband, but because of the cost of that final connection between premises and the junction box. In many cases it is the cost of the final connection to the premises (that the customer must bear) that is the inhibiting factor.

A satisfactory partnering agreement and governance arrangement to ensure that this Council is fully engaged and involved in the delivery of superfast broadband

The CDS Board has been established to manage the project. The Somerset District Councils will have one seat on the Board. At this stage this representation cannot rest with SSDC as we have not signed the NDA.

The partnering agreement restricts disclosure of commercially sensitive material and this includes where the next phases of the rollout are taking place. Councils that have signed the Non-Disclosure Agreement have access to this information but are legally restricted from disseminating it.

A satisfactory return can be guaranteed from the investment

There will be no financial return from the investment. The investment should be viewed as a grant and not as a loan or an investment arrangement.

There will however be considerable wider returns in terms of business support outputs, investment in the economy of South Somerset and helping to make the district and county an attractive place for businesses to locate, thrive and prosper.

Request for information on alternative options/providers

Officers have researched a number of alternative options and the scenarios are summarised in Appendix 2.

From our discussions with several private broadband suppliers our conclusion is that no suppliers are in a position to undertake full business appraisals until the outcome of the SEP bid is known and the contents have been made clear. The commercial information that the NDA protects is the very information that competitors seek. At this stage other suppliers remain unaware of which areas will be connected or where the gaps will be. There may also be State Aid issues if public funding is used in an area already supported by BDUK or European Funding.

It is therefore not possible to get competitive like-for-like quotes in the prevailing circumstances. It would appear that these other options are applicable to geographically constrained areas e.g. some villages or valleys with no existing coverage. These are frequently classed as 'not-spots' or 'no-go' areas because of the technical challenges.

6. The Options for the District Executive

The full detail of the bid will not be known until 19th May. At this point the target number of premises being enabled in South Somerset will be confirmed. The post-code areas will not be disclosed at this stage because of the commercial sensitivities and the terms of the NDA. The final target numbers that will be reported verbally to the District Executive Committee are as yet unconfirmed.

If SSDC does not wish to be included in the bid, then this needs to be disclosed at the clarification meeting on the 22nd May.

To this stage CDS have proceeded with Somerset and Devon presented as a complete package. This is based on the strength of the in-principle commitments already provided. At this stage South Somerset remains in the bid calculations and consequently in the contract. SSDC's withdrawal beyond May 22nd (the Clarification Meeting – see Appendix 2) would impact on the scheme and necessitate contract variations by CDS. There are two broad options for members to consider.

Option 1 confirm the in-principle commitment of £640k to the SEP project	Option 2 Not to commit the £640k to the SEP project, and use SSDC funding for other options
<p>Commits substantial capital funding without fully knowing the extent of the SEP programme. That said, we are in the same position as all the other councils involved in the project.</p> <p>Overview of the outcomes for South Somerset are only through the District Representation on the CDS board</p> <p>The Council would need to sign the NDA to be fully aware of delivery,</p> <p>.</p>	<p>If SSDC don't contribute then the match funding from BDUK is lost so the total reduction in work expected from the programme to be directed at South Somerset amounts to £1.28m .</p> <p>SSDC officer resource and perhaps greater capital resource would have to be committed could lag behind other District councils in terms of Superfast Broadband coverage.</p>

Option 1 confirm the in-principle commitment of £640k to the SEP project	Option 2 Not to commit the £640k to the SEP project, and use SSDC funding for other options
This route completely reduces our exposure to State Aid issues and will use less officer resource to work on alternatives solutions as the programme rolls out.	State Aid issues could occur if SSDC plan any grant programmes that work in any Areas where BT have used either BDUK or EU SEP funding.

7. Conclusion

The current SEP and commercial roll-out programme has resulted in a general improvement of speeds on the network. Many premises now enjoy speeds of reliable 2MB or greater regardless of whether or not their own premises is superfast enabled. Good broadband speeds provide essential economic infrastructure for our rural areas, and these are getting progressively better. The government have committed that all premises i.e. 100% will receive at least 2 megabytes per second by Dec. 2016

Superfast offers some future-proofing, giving an economic advantage to the area that we would not want to miss out on as a part of or ED programme to support rural businesses, farm diversification, home working, and access to digital services

The council have been asked to increase the size of the Somerset funding pot for broadband which in turn increases the match funding from BDUK. It has become clear from CDS that the BDUK funding is not available for our own local solutions. It is also clear that our own local solutions might work in targeted 'not spots' but would be unlikely to offer any form of wider solutions and are going to attract state aid issues.

However while it is logical to assume that the greater the investment, the greater the return to South Somerset, is not possible to be precise and identify the exact additional benefit of the council's contribution over and above what might have happened anyway though the general commercial and SEP programme.

We have been promised (from the bid technical panel) an assessment of the number of premises that will be connected in South Somerset from the new contract and that information will be available in the week preceding DX .An oral report therefore will be made and help inform the members decision. Consequently at this stage it is not possible for officers to make a firm recommendation one way or the other.

We have asked if there is a mechanism to come to the table later after the contract is signed. CDS have said that this is not possible whilst securing match funding. At this stage all other Somerset District Councils are committed to the project

8. Financial Implications

If members agree to funding of £640,000 the grant will be found from Useable Capital Receipts. Currently £29.1 million is available i.e. not committed within the current capital programme. A sum of £19,200 will need to be added to the savings to find within the 2016/17 Medium Term Financial Plan to replace the loss of interest.

9. Corporate Priority Implications

We are committed to SSDC Council Plan 2012-15 Focus One: Jobs that pledges to “Support early delivery of Super-Fast Broadband to rural areas by 2015”.

We are also working towards the SSDC Economic Development Strategy 2012-15 goal of “Working with partners to lobby for the provision of superfast broadband”.

10. Carbon Emissions and Climate Change Implications

There are no current implications associated with this report though the extension programme assists improvements in communication and the reduction of energy use.

11. Equality and Diversity Implications

In preparing this report, due consideration has been given SSDC’s statutory Equality duties Section 149(1) of the Equality Act 2010.

An equality analysis of the broadband project is being undertaken with delivery anticipated to have a positive equalities impact.

The roll - out strategy will be determined by a range of factors including local requirements and commercial considerations. The strategy should be screened to ensure communities (sharing a protected characteristic) are not inadvertently disadvantaged from accessing the service due to, for example, geographical factors.

Aspects of this project related to subsidising the rollout of broadband has a low relevance to equality, whilst implementation has a medium relevance to equality. The project is providing access to broadband and not connectivity. So the connection and use of the service will be between customer and retail provider.

12. Background Papers

- District Executive Report 19th June 2014 – Match Funding for the Superfast Broadband Extension Programme
- Broadband Task and Finish Group Scrutiny Review, Sept, 2014
- <http://www.connectingdevonandsomerset.co.uk/> is also a recommended source of considerable background information and further detail

Appendix 1

Procurement Timetable for SEP

Date	Event	Detail
18 th May 2015	Submission of Bid by BT to CDS	Bid will include detail of the geographic target areas to be covered and the target number of premises to be enabled. The detail of the bid is bound by the NDA stipulations.
19 th May 2015	Bid will be evaluated by the CDS Evaluation Team	The 9 strong CDS project officer team will include Somerset Districts' representation through Ian Timms of WSC. The team will particularly focus on the technical, commercial and financial elements of the bid.
22 nd May 2015	A clarification meeting between CDS and BT	This is part of the evaluation process in which clarifications may be sought by either party.
26 rd May 2015	Moderation of the evaluation process	A separate 3 person officer team from CDS will moderate the evaluation and a recommendation will then be prepared by the CDS Project Manager for the CDS Board.
27 th May 2015	CDS Board will consider the Project Manager's recommendation	Bid will either be accepted or rejected by the CDS Board at this stage.
June 2015	CDS must submit their report to BDUK	To ratify the funding package and consolidate the contract finances.
June 2015	EU call-in period	Statutory period in which any final objections from across the EU may be made.
June 2015	Sign off contract by all parties	State Aid clearance for this project expires and contract must be signed off at this point.

Alternative options/examples to the CDS Programme

West Oxfordshire District Council (WODC)

This is a public/private partnership agreement between WODC and Cotswold's Broadband through a £1.6 million loan that was matched by BDUK.

Detail of this deal are available, but several key points emerged in our enquiries that made such a model unattractive to SSDC:

The loan is match funded by BDUK but only because of the long operational history between WODC, Cotswold Broadband and BDUK. The match funding was not the result of a speculative bid to BDUK but the development of a pre-existing option

State Aid issues have been triggered and resolutions/outcomes are still awaited at the time of writing.

Eastbourne Borough Council

Eastbourne is now benefitting from a high speed fibre optic broadband network along its coastal edge. This has been provided via a special arrangement involving Eastbourne Borough Council which invested £367,000 in a broadband infrastructure supply company, CloudConnX, which has developed the town's new broadband network. The investment in CloudConnX also stands to provide the local authority with a future return over the next five years over and above the £367,000 originally laid down.

Eastbourne's unique linear geography made this particular type of broadband provision possible and it is unlikely to represent a suitable model for South Somerset

Broadway Partners

Officers from SSDC met with Broadway Partners (telecoms and broadband specialists) in February 2015. Broadway Partners were instrumental in the creation of the West Oxfordshire model referred to above.

Whilst it is possible to further explore a joint partnership venture, key issues were identified as a result of the discussions:

- There would be no match funding available from BDUK (and in this instance no opportunity to match fund with SCC).
- A Joint Venture (JV) contract would probably have to be procured through an open tendering process.
- There would clearly need to be a heavy commitment in terms of officer time in the preparation and business planning for such a venture

On the positive side, it was unlikely that State Aid issues would be triggered because of the absence of match funding through BDUK.

ITS technology Group

Officers contacted this company that specialise in the superfast connection of remote rural areas. They are currently working on rural broadband infill projects and can provide potential solutions. This group were however keen to know the outcome of the CDS bidding process, and thus where possible gaps might exist before undertaking any detailed feasibility work.

Community led solutions

For communities that are outside the SEP area or for communities who want to take more control by bringing forward delivery of this service, then a community led initiative, procured & funded by subscribers, *may* be an option. In all instances, a bespoke approach would be required with its own business case to assess the issues and costs of taking the technology to those places. Initiating this work will require an intensive amount of officer resource and we would need to ensure that it did not fall within the current CDS delivery or planned SEP.

SSDC could have a role in enabling these communities to work towards solutions. It would be possible to advise on any external funding sources and possibly offer our own grants and/or loans. There are many examples of “pioneer” communities who have decided to be proactive and deliver their own solutions. This solution is not mutually exclusive with the other options but would offer another method for remote communities who want to get connected. There are currently service providers working with communities to deliver Superfast Broadband through 3G telecommunication, but this route can restrict choice in a community to a single provider.