

# Connecting Devon and Somerset Update

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## Connecting Devon and Somerset (CDS) Broadband Delivery Programme

### 1. Background to CDS

- 1.1. CDS is a local government-led partnership which is working to extend superfast broadband infrastructure in areas where commercial providers do not plan to deliver a Next Generation Access (NGA) broadband service. Next Generation Access (NGA) broadband service is a service capable of delivering download speeds of at least 30Mbps
- 1.2. The CDS region covers Somerset, Devon, N Somerset and BaNES, and to a lesser extent Plymouth and Torbay which have more commercial coverage than other parts of the region.
- 1.3. Funding for the CDS Programmes has come from BDUK, Heart of the South West Local Enterprise Partnership, European Regional Development Fund grants (via MHCLG), SCC, DCC, N Somerset, BaNES and other contributing local authorities.
- 1.4. Somerset County Council is the Accountable Body for the CDS partnership. This report provides an update to the Scrutiny Committee on the CDS programme.

### Current Delivery

#### 2. 2016 Superfast Extension Programme Contracts

- 2.1. In 2016 CDS ran a procurement to award contracts for broadband wholesale services in 6 Lots across the region. The CDS board agreed that the ITT should prioritise those premises with the lowest speeds. Additional scoring was awarded for business connections. The intervention area focused on working inwards from the more remote areas rather than adding marginally to the edges of existing superfast provision at the edges of towns because it is likely that commercial providers will extend coverage in those areas.

#### 3. Gigaclear contracts for Lots 1, 2, 3, 5 and 6

- 3.1. As reported to Scrutiny in June 2018 the Gigaclear contracts had fallen behind in build due to a number of factors including the introduction of additional funding which had required a more extensive redesign than had been expected as well as problems resulting from the compulsory liquidation of Carillion.

- 3.2. Gigaclear had introduced additional contractor resource McNicholas part of the Kier group and reported that they expected to complete the delivery within the contractual time frame.
- 3.3. Unfortunately, Gigaclear has not succeeded in its planned recovery of the programme and has failed to meet its first contracted dates which were due to be achieved by 30 September 2018. Gigaclear has attended before the Connecting Devon and Somerset board to explain its position. Gigaclear also issued a formal apology to CDS stakeholders on 8 October.  
<https://www.gigaclear.net/postcode-checker/connectingdevonandsomerset>
- 3.4. CDS has written to Gigaclear and confirmed that Gigaclear is in default on 3 contracts (Lot 1, Lot 2 and Lot 5) but it has not formally issued a default notice. The contracts do not include financial penalties for delay but do provide for default notices to be issued and options to close the contracts. These alternatives will be considered by CDS as part of making a decision on the way forward. Although there are no financial penalties in the contracts Gigaclear is required to finance the build until there is delivery. CDS does not pay until build has been completed. Accordingly, Gigaclear has received payment of £537,200 for a structure at Millhayes in Devon which it has completed.
- 3.5. The contracts which CDS holds with Gigaclear are due to deliver a gigabit service to around 47,800 premises across the region with approx. 21,900 in Somerset. Gigaclear provides a search facility on their website which is a quick way of checking where the company will be installing a fibre-to-the-premise network - <https://www.gigaclear.com/postcode-checker/>
- 3.6. Network build of this size involves significant investment by Gigaclear. The broadband infrastructure build is funded on a gap funded model. This means that for the current contracts Gigaclear is paying most of the cost for the network build with the public sector funding the gap between the costs which Gigaclear would invest to build to the targeted premises on a commercial basis and the total cost of the infrastructure build. For the 5 contracts which Gigaclear holds with CDS for Gigaclear to build broadband infrastructure Gigaclear is investing £60 Million and the public sector is investing £31 Million. In addition, Gigaclear is investing another £57 Million in the region on a commercial basis. Gigaclear is currently forecasting that the build will cost more than originally expected but has confirmed that it will absorb any additional costs incurred and that there will be no increase to the level of public subsidy.
- 3.7. **Gigaclear is under new ownership. Infracapital part of the Prudential Group took a majority interest in Gigaclear earlier this year and installed a new management team.** The new team has reviewed the progress of the project in detail to identify the problems which have occurred with the delivery and to put in place remedies to prevent them happening again.

- 3.8. The review of the programme identified several issues that existed which were delaying delivery including management of subcontractors, the build methodology and capacity. The new management team identified issues which the CDS team had raised previously with the previous Gigaclear management team, but which had not been acted upon in a timely way. The current Gigaclear management and owners have acknowledged that mistakes were made, and it is putting together revised plans to remedy the situation.
- 3.9. Gigaclear's new management is introducing additional resources raising the number of regionally based staff working on the project from 4 to 38. Key roles which have been/ are being recruited are a director of delivery for CDS region as well as locally based communications and engagement officers, highway liaison roles, programme managers for each of the contract areas and network designers. Mike Surrey the CEO at Gigaclear has the new senior team working on the CDS programme reporting directly to him.
- 3.10. Gigaclear met with Connecting Devon and Somerset to provide its revised plans on 31 October 2018. At the time of writing this report Gigaclear's new plans have only just been received. CDS will be undertaking some detailed analysis of this over the coming weeks with our funders to ensure that the best option and solutions can be found. Until there is an agreed way forward which is supported and acceptable to CDS funders it will not be possible to confirm the critical information on new deployment dates to communities.
- 3.11. A number of FAQ's has been published on the CDS website covering responses to questions about the length of and reasons for the delay, the contract remedies, financial implications as well as implications for communities and the implications for Gigaclear.

<https://www.connectingdevonandsomerset.co.uk/gigaclear-delays/>

- 3.12. Delays were due to several reasons including significant issues in ensuring the right number and type of staff were in place. Issues relating to local roads had more impact that Gigaclear expected.
- 3.13. Building a new fibre network in a rural area is complex with a range of challenges including:
- gaining permission for access to private land to build (wayleaves),
  - gaining access to highways on notice, working with summer embargos,
  - finding the right solutions for the build which has a mixture of build solutions including mole ploughing in fields, verge working,
  - topography challenges such as narrow lanes and high banks in parts of Devon and Somerset,
  - necessary validation and costing reviews,
  - securing the right sub-contractor resources.
- 3.14. BDUK has confirmed that the Phase 2 Broadband delivery programmes across the country are facing delays with several providers. It appears that the industry is challenged by capacity as well as the complexity of build of new

networks in particular “full fibre” FTTP which is more expensive, complex and slower to deploy than cheaper hybrid fibre solutions.

- 3.15. The proposals from Gigaclear will be considered carefully. Connecting Devon and Somerset does not have to accept the proposals put forward.
- 3.16. Gigaclear is proposing a revised approach to delivery and that delivery will still be a fibre network solution. Gigaclear has confirmed that it will not reduce the level of coverage and Connecting Devon and Somerset has made it clear that it expects the same level of coverage.
- 3.17. It will be necessary to balance carefully the competing demands of the time required to build a complex network against the proper expectations of residents and businesses that broadband infrastructure is delivered as soon as possible.
- 3.18. Connecting Devon and Somerset is investigating options that might be available including the possibility that some of the contracts might be stopped.
- 3.19. It should be noted that if the contracts with Gigaclear are ended it does not mean that an alternative supplier could be procured or deliver the same amount of coverage as Gigaclear is currently contracted to provide any sooner than Gigaclear is able to do.
- 3.20. Any decision will be taken in consultation with funding providers.
- 3.21. At the last Scrutiny committee, it was reported that the first premises in Somerset were expected to be delivered in August. Due to the delays that has not yet happened.

#### **4. Airband Contracts**

##### **National Parks**

- 4.1. Network build is now completed and going through the assurance and closure process. This involves technical and financial assurance as well as working with BDUK the national competency centre who also assure the delivery and the state aid compliance.

##### **Lot 4 (North Moor between Exmoor and Dartmoor)**

- 4.2. Additional European Regional Development Fund grant was introduced into the Lot 4 contract in September following BDUK assurance. Airband has completed its first phase of the delivery and is progressing well with the build.

#### **5. Phase 1 BT Open reach contracts**

- 5.1. The contract closure process has been ongoing working with BDUK the national competency centre which also assures the delivery and state aid

compliance. Some 298,000 premises across the region have access to superfast service as a result of the CDS Phase 1 intervention and a further 38,000 have improved broadband speeds. The contract closure process was completed at the end of October.

- 5.2. Gainshare. This is early Take-up Clawback which is due to be paid by BT under the contract. The Broadband state aid clearance provided that up to £129 Million across the whole of the UK could be spent with BT. In the Connecting Devon and Somerset region provision was made for up to £4.7M to be introduced into the contract and which can only be spent with BT.
- 5.3. The contractual process is underway to introduce this £4.7 Million of early Take-up Clawback. The CDS board is seeking to ensure that the early Take-up Clawback should be committed to areas still experiencing very low speeds with a significant degree of social deprivation (measured using the English indices of multiple deprivation). CDS is also seeking to use the early Take-up Clawback to provide full fibre to the premise solutions. Fibre to the premise is considered a future proof technology but it is also more expensive. Given the higher costs of Fibre to the Premise, the early Take-up Clawback is likely to achieve a relatively modest number of premises in the region. However, providers are moving towards full fibre where possible and BDUK has indicated that government policy going forward will be to encourage the move to the delivery of fibre technology solutions for the future. The use of early Take-up Clawback is in line with that approach. Due to the cost of introducing fibre technology there are likely to be some areas which remain where the cost of fibre solutions will continue to be unviable for the present. Other solutions such as fixed wireless access may be required in these areas pending more affordable alternatives becoming available.
- 5.4. The Phase 1 contract provides for Take-up Clawback to be calculated at fixed regular intervals during the post-build stage of the contract. The amount will depend on the level of take up of the infrastructure and these sums must be applied in a state aid compliant manner. The contractual terms provide that the final payments will be made by the end of the post-build stage of the contract which is in 2024.

## **6. Funding**

- 6.1. In October an additional £5M of grant funding has been approved by the Rural Development Agency to extend broadband coverage in rural areas. This is available to support residents and businesses in rural areas which do not yet have a 30 Mbps service.
- 6.2. It is necessary to use this funding in a state aid and procurement compliant manner. To do so this funding has been awarded to be added into existing contracts by agreement with the existing suppliers. Discussions are commencing with Airband about the possibility of introducing the funding into the Lot 4 contract. It is too early to say whether it would be possible to introduce this funding into the Gigaclear contracts pending consideration of Gigaclear's proposals for the existing contractual delivery. As part of the

process of assessing Gigaclear's proposals consideration will also be given to whether it is possible, or appropriate, to introduce the funding to Gigaclear contracts.

## **7. New broadband strategy**

- 7.1. The CDS board has requested that the local broadband strategy be refreshed. It has agreed that the programme should work with the Local Enterprise Partnership to identify the broadband needs going forwards.
- 7.2. It is estimated that there will be some 55,000 premises remaining in the Connecting Devon and Somerset region which will not be able to connect to a superfast (30Mbps) broadband service at the conclusion of the current contracts with Airband and Gigaclear. Of these it is currently anticipated that there will be circa 11,300 premises remaining in Somerset and approximately 1,500 premises will be business/ dual use (business and residential). It is estimated that approx. 1,000 premises will have speeds of less than 15Mbps.
- 7.3. CDS and other stakeholders are encouraging commercial providers to extend their delivery including connecting premises in town and village centres where the comparative cost of connections is lower than in more remote rural areas.
- 7.4. The continuing challenge is to seek ways to extend coverage to all. Although CDS continues to apply for further grants, for the most remote and difficult to reach areas it may be some time before viable superfast solutions can be found for all.
- 7.5. In the meantime, CDS and stakeholders continue to lobby the commercial sector to extend its coverage and for further funding to try to extend coverage to as many as possible.
- 7.6. In order to inform the new broadband strategy CDS launched a survey on 29 October which will be open for a period of 6 weeks and closing on 9 December. Emails are being sent to parish clerks informing them about the survey as well as twitter and Facebook announcements and the survey can be accessed on the CDS website at the following address  
<https://www.connectingdevonandsomerset.co.uk/broadband-user-survey/>

## **8. Voucher scheme**

- 8.1. CDS voucher scheme has been on hold whilst under review pending the BDUK assurance and approval of the Lot 4 change confirmation which has finalised the premises which are due to receive a broadband connection under the current contracts. Now those premises have been identified contractually it will be possible to re-open the scheme. It is now expected that the scheme will be re-opened by the end of the year.

- 8.2. In addition to the CDS voucher scheme there is also the Gigabit voucher scheme run by the Local full fibre network team. This is supplier led and can be used in areas where a supplier is able to deliver a gigabit service. Eligible businesses and residents can work with suppliers who are able to deliver a service to seek vouchers to extend fibre networks.  
<https://gigabitvoucher.culture.gov.uk/>

## **9. Communications**

- 9.1. Work has commenced on a website refresh. Unfortunately, the officer employed to undertake the work left recently after a short period of time and a replacement has not yet been recruited.
- 9.2. It is recognised that the delays in delivery, particularly in the areas where Gigaclear operates have caused concern. CDS has encouraged both Gigaclear and Airband to recruit additional regional personnel to provide more tailored information to residents, businesses and communities as well as to elected members. This is an ongoing process with more direct communications being provided by the suppliers.
- 9.3. CDS is proposing to introduce a Quarterly parish newsletter. Unfortunately, this has been delayed due to the focus on resolving the issues with the Gigaclear contracts which in turn meant that there was little progress to report. Following the Lot 4 contract changes an updating newsletter is due to be issued for the Lot 4 parishes to provide an update on the progress of Airband's delivery. It is expected that this can be published once the update of premises information is completed on Airband's website.

## **10. Digital Utilisation for Growth programme (DUG).**

- 10.1. In addition to Broadband Infrastructure delivery CDS has received European Regional Development Fund grant funding to run a further digital awareness programme – Digital Utilisation for Growth. This programme will provide training on skills and internet use and raises awareness of the capabilities of digital technology to private individuals and to businesses across the CDS region. This training is being provided to assist people to use the infrastructure which is being built.
- 10.2. Funding has now been approved and the DUG programme is now recruiting. Steps are being taken to recruit a programme manager and event co-ordinator in November and Lot based staff and specialist trainers are expected to be recruited from December. It is currently expected that the programme will commence from January 2019.
- 10.3. It is anticipated that this will have a positive impact both in supporting businesses and residents with their online interactions.