

Update on Superfast Broadband for Rural Businesses

Executive Portfolio Holder: Cllr Jo Roundell Greene, Environment & Economic Development
Director: Martin Woods, Service Delivery Director
Service Manager: Peter Paddon, Economy Lead Specialist
Lead Officer: Peter Paddon, Economy Lead Specialist
Contact Details: Peter.paddon@southsomerset.gov.uk or extn 2445

Purpose of the Report

1. This report provides members with an update on phase 2 of the Superfast Broadband Extension Programme. This aims to extend superfast broadband coverage to areas that were not enabled under phase 1 of the programme. Consequently phase 2 is aimed at some of the 'harder to reach' premises and rural communities of the District.
2. The report also informs members of Broadband Delivery UK's (BDUK) Gigabit Voucher scheme that may be applied for by businesses (and surrounding communities) that are likely to remain unconnected following phase 2 of the programme.

Forward Plan

3. This report appears on the District Executive Forward Plan with an anticipated Committee date of September 2018.

Public Interest

4. Many rural businesses, other premises and communities still do not have Superfast Broadband (SFB) and remain unable to realise their full digital on-line potential. Current data reveals that SFB coverage in the SSDC area has now reached 85% of all premises (2018) with planned coverage likely to increase connectivity to around 96% by 2020. This is still likely to leave approximately 3,600 premises (including many rural businesses) unconnected. The exact geographic roll-out and timescales have not yet been clarified by Connecting Devon and Somerset (CDS). CDS is the body responsible for the roll-out of SFB across the two counties.
5. This report provides an update on phase 2 of the programme roll-out and also offers a potential solution for premises that will or might remain unconnected beyond the conclusion of that programme.

Recommendations

That the District Executive:

- i) Note the content of this report.
- ii) Agree that officer time and resource is allocated to working with Broadband Delivery UK (BDUK) and Connecting Devon and Somerset (CDS) (and other parties as necessary) to clarify and promote their voucher schemes to maximise the coverage of Superfast Broadband across the District.
- iii) Request officers to report back to District Executive and Full Council as soon as sufficient information is available for members to take a decision on committing any SSDC funding to 'top-up' such a superfast broadband voucher scheme.

Background

6. Broadband Delivery UK (BDUK) is the arm of the Government's Department for Digital, Culture, Media and Sport. BDUK was set up to deliver superfast broadband and local full-fibre networks to the nation.
7. In order to facilitate such a large project, BDUK then subdivided the UK into smaller, geographic areas. In our region Connecting Devon and Somerset (CDS) became the 'regional' body that would oversee the project.
8. Phase 1 of the project was due for completion in 2016. The contract for the works in this phase was awarded to BT Openreach. It was anticipated that Phase 1 would provide up to 90% coverage across the U.K. Some parts of the U.K. saw significantly better results than others, with greater coverage achieved in larger urban areas than the more rural and remote areas. In South Somerset 2018 data shows that around 85% coverage has been achieved, although Openreach are still completing a small number of works under the Phase 1 scheme.
9. CDS began their preparations for phase 2 of the project as early as 2014. At that stage they requested that District Councils in Somerset should consider making financial contributions to the scheme to help meet costs and maximise match-funding leverage. The Local Authority contributions were based on the size of the population of the Districts and South Somerset was asked to contribute £640k to the scheme.
10. In June 2014 SSDC's District Executive debated the matter. Whilst an in-principle decision to commit funding to the scheme was made, it was decided that funding could not be allocated 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. Members felt that it was not prudent to commit funding to a scheme where outcomes were not known and where there was no guarantee that all of South Somerset's financial contribution would benefit South Somerset residents and businesses.
11. A lack of clarity over the geographic areas that are likely to be covered by the Phase 2 roll out has been a continual issue at all stages of reporting and this still remains the case.
12. Reports on Phase 2 Superfast Broadband Delivery have been discussed by the District Executive Committee, Full Council and have been subject to a Scrutiny Committee Task and Finish Group. It should be noted that committee reports were discussed in confidential session because the contract bidding process for Phase 2 was active at that stage. Reports were deemed to contain commercially sensitive third-party information and were thus covered by the legal Non-Disclosure Agreement that all of Somerset's Local Authorities were signatory to. However, the decisions of the various committees are publically available on the SSDC website.

Report Detail

The Contract for Phase 2

13. The contract to provide the infrastructure for Phase 2 of the Superfast Broadband Extension Programme was awarded by CDS to Gigaclear and this was reported to the District Executive Committee in January 2017. The contract is for the provision of Superfast Broadband only to those areas that will not be met by the commercial sector. However, between CDS and the commercial sector this will still not deliver 100% coverage in South Somerset. The published decisions made by that committee states that the committee would:

“await further detail of the geographic coverage and extent of the new programme (including the proposed CDS voucher scheme). This detail is expected from CDS by March/ April 2017 and upon receipt of this information, determine whether SSDC’s potential financial contribution can be incorporated into a voucher scheme for South Somerset Residents and Businesses.”

14. Whilst **indicative** coverage and extent of the programme is currently shown on the CDS website, this information remains indicative rather than definitive. The distinction between indicative and definitive has a critical bearing on our decision making and it has still not been possible to gain clarity on this matter from CDS or Gigaclear. There remains a lack of information and therefore clarity as to what will also be provided by the commercial sector. An example of this is an industrial estate within Area East which was not included in the CDS scheme as the commercial sector had indicated it would provide superfast broadband to these premises, but to date the businesses here do not have superfast provision and there is no indication of when this might come. Until there is clarity, it is difficult to make a decision on how this Council might support the provision of Superfast Broadband in those parts of South Somerset that do not currently have it. This is because it is not possible to tell whether any support would add value and additionality to what is planned or duplicate what is planned by the commercial sector and CDS and therefore represent a waste of this council’s resources. This may also present potential State Aid issues as well.
15. Gigaclear are currently engaged in the Pilot Projects prior to the main programme roll-out.

Superfast Broadband and State Aid.

16. 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*.
17. As CDS is effectively a sub-division of BDUK, both Somerset and Devon are covered by this State Aid exemption. This means that no other government money can be introduced into the Phase 2 roll-out unless there is a mechanism for introducing it through the BDUK 2016 National Broadband Scheme. This does however offer the possibilities outlined in paragraphs 18 -20 below. It also means that at this stage SSDC is not able to provide funding for any scheme that is external to the Phase 2 BDUK programme without risking being found to be in breach of State Aid rules.

Moving Forward

There are ways in which rural businesses and communities can currently move forward.

18. BDUK has recently introduced its ‘Gigabit Voucher’ scheme that allows rural business to claim £3,000 for SFB 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.
19. SSDC has received legal advice that the principle of Local Authorities providing additional funding through the BDUK voucher scheme may be permissible, subject to BDUK agreement. Whilst, it is not clear whether BDUK would provide this approval, the terms of the 2016 State Aid exemption appear to be broad enough to permit additional funding where this is necessary in order to stimulate private SFB infrastructure providers.

20. As BDUK have been approached by several local authorities with similar requests they will consider the possibility of 'top-up' funding. We are advised that their decision is likely in their September review of the Gigabit Voucher scheme.
21. A disadvantage of businesses applying for Gigabit Vouchers at this stage, is that they may not necessarily know whether their premises might have been covered by the roll-out programme anyway.
22. At this stage, the legal advice we have taken tells us that the simplest way to move forward and exclude State Aid issues would be to work with BDUK to deliver a project that is compliant with their 2016 National Broadband Scheme. In practice this would best take the form of the Gigabit Voucher Scheme, with the potential for top-up contributions (if approved by BDUK).

23. Summary

- Definitive information on the coverage of the planned commercial roll out of Superfast Broadband and the CDS Phase 2 roll-out programme is still not available in the CDS Area (this includes South Somerset).
- SSDC is advised to operate within the current BDUK/CDS State Aid Exempt roll-out programme to avoid state-aid issues. In practice the most suitable way forward is to work with the BDUK Gigabit Voucher scheme.
- We await a decision from BDUK on whether Local Authorities can provide a 'financial top-up' for businesses applying for Gigabit Vouchers.
- Pending a decision from BDUK, SSDC officers would work with BDUK to either promote the existing voucher scheme or an 'enhanced' voucher scheme for South Somerset.
- A report and a business case would be prepared for members to consider, this would include detail of the likely financial commitment required.
- Members would be asked to re-affirm their commitment to such a scheme.

Council Plan Implications

24. Priority project 7 (2018/19) – To support our small and medium sized businesses across the District, including internet access, to meet their needs.

Carbon Emissions and Climate Change Implications

25. None at this stage

Equality and Diversity Implications

26. None at this stage.

Privacy Impact Assessment

27. None at this stage

Background Papers

Superfast Broadband Reports to District Executive – June 2014, November 2014, June 2015
Superfast Broadband reports to full Council - May 2016, February 2017
