

# Scrutiny for Polices and Place Committee

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## 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.

### Delivery to date

#### 2. Phase 1 the Superfast Broadband Programme.

##### 2.1 Contractual delivery

- 2.1.1 This contract was awarded to BT in 2013 and build concluded in March 2017.
- 2.1.2 The Phase 1 programme was delivered by taking fibre from the telephone exchange to a local cabinet "Fibre to the Cabinet" (FTTC) from which the final connection to the premise was via existing copper network. In a few suitable areas fibre was taken directly to the premise – fibre to the Premise (FTTP).

**2.1.3** The CDS programme exceeded its phase one target providing over 280,000 homes and businesses with access to superfast broadband speeds in excess of 24Mbps.

## **2.2 Contractual Take-up claw back**

**2.2.1** The Phase 1 contract was based on a gap funded model in which the public sector subsidises the difference between the level of commercial investment provided by the supplier and the cost of delivering the solution. The Phase 1 contract assumed that there would be a 20% Take-up of service. Where Take-up is higher than 20%, less public subsidy would be required. The contract provides that where there has been such an “over subsidy” this is “clawed back” by the public sector from BT. This is called Take-up Clawback.

**2.2.2** Take-up Clawback is calculated at set times in the contract; at the Full Service Commencement Date then every 2 years after and a final review at the end of the 7 year post deployment phase of the contract.

**2.2.3** The contract provides that the parties are to work together to agree on utilising the Take-up Clawback sums. It should be noted that contractually these sums are available to SCC, as the Accountable Body for CDS, to re-invest with BT to provide additional/ improved infrastructure. There are State Aid limitations about the amount of Take-up Clawback that can be used without running a new procurement.

**2.2.4** As network build progressed Take-up levels were projected to be higher than the 20% baseline in the contract. BT offered to release some of the Take-up Clawback money early to local bodies including CDS. This early Take-up Clawback is referred to as “Gain share”. In 2016 the government had to re-negotiate the national State Aid Approval Scheme with the Commission and as part of agreeing a new National Broadband Scheme reached an agreement with the Commission that across the UK local bodies could reinvest up to £129 million of Take-up Clawback with BT without running a new open procurement. The sum offered to CDS was £4.7 million.

**2.2.5** In order to invest this early claw back State Aid rules require that CDS identifies areas which will not have Next Generation Access (NGA) broadband infrastructure delivering at least 30Mbps or where there are no plans to provide such infrastructure over the next 3 years.

**2.2.6** The Gainshare open market review and public consultation with commercial broadband suppliers was issued on 26 March 2018 and ran for just over 1 month until 30 April 2018. Details including links to FAQ’s can be found on the CDS website at :

<https://www.connectingdevonandsomerset.co.uk/response-to-cds-gainshare-public-consultation/>

**2.2.7** CDS is seeking to commit early Take-up Clawback to areas still experiencing very low speeds in areas with a significant degree of social deprivation. Social deprivation is measured using the English indices of multiple deprivation (IMD)

**2.2.8** Once the consultation period has concluded CDS will take account of the responses to the Open Market review and following discussions with BT Openreach will submit its final proposals for the NGA white areas to BDUK's National competency centre for clearance.

### **3. Phase 2 Superfast Extension Programme Exmoor and Dartmoor**

**3.1.** This contract was awarded to Airband Community Internet Ltd in 2015. Airband is deploying a fixed wireless network delivering speeds of up to 30Mbps to homes and businesses across the National Parks in some of the hardest to reach areas in the UK.

**3.2.** The build is almost complete with a final mast expected to be erected in June.

**3.3.** The number of premises able to connect to an NGA service is expected to meet the contractual targets. These figures will be subject to a satisfactory assurance process.

## **Delivery to 2019/20**

### **4. 2016 Phase 2 Superfast Extension Programme (SEP) Procurement**

**4.1.** The 2016 SEP procurement divided the CDS region into 6 lots, generating significant interest from the market. Following assurance by BDUK the National Competency Centre lots 1,2,3,5 and 6 were awarded to Gigaclear Plc and lot 4 was awarded to Airband Community Internet Ltd.

**4.2.** Somerset is covered by Lots 2, 3 and part of Lot 5. Gigaclear is a fibre to the premise broadband provider giving symmetrical upload and download speeds of up to 1 Gbps.

**4.3.** Following the award of contracts CDS secured an additional £4.6 million grant of European Regional Development Funding (ERDF) which was introduced into the contracts for each lot. There was also some residual funding from BDUK which was available to introduce into the contracts. The changes which were required to the contracts to introduce this funding required a more extensive re-design than had been anticipated and accordingly took longer than was expected.

**4.4.** In January 2018 the construction company Carillion went into compulsory liquidation. Carillion was part of a joint venture partnership Carillion telent which provided civil engineering services to the telecom industry including Gigaclear for

its CDS Phase 2 contracts as well as other major telecoms providers such as Openreach.

- 4.5. Gigaclear had contingency plans in place to deal with the change in circumstances and these have been implemented. Telent has taken over from the Carillion telent partnership and Gigaclear has also introduced additional resource McNicholas part of the Kier group as well as other contractors.
- 4.6. As a result of the above factors the early part of the build has commenced more slowly than had been planned, but the additional resource is expected to enable the delivery to be completed within the contractual time frame.
- 4.7. Gigaclear is due to deliver a superfast service to over 20,000 premises across Somerset under its contracts with CDS.
- 4.8. 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/>
- 4.9. Lot 4 (which broadly covers Northern Devon between Exmoor and Dartmoor) has been awarded to Airband Community Internet Ltd which will provide a wireless solution in that area. A share of the ERDF funding is being introduced into the Lot 4 contract and that has also taken longer and been more complex than was anticipated.

## **Other areas of interest**

### **5. Voucher Scheme**

- 5.1. To meet the government target of ensuring that all businesses and residents have access to at least 2 Mbps CDS created a broadband Voucher Scheme. This was open to anyone with a current broadband speed of less than 2 Mbps who would not be included in the main CDS or commercial programmes. Over 6,200 vouchers were issued and over 1,900 installations have taken place.
- 5.2. The application process is currently paused whilst the scheme is reviewed but this is expected to be re-opened during the summer.
- 5.3. CDS is also planning to launch schemes to support community broadband solutions in the summer.
- 5.4. More details are found on the following CDS web page.  
<https://www.connectingdevonandsomerset.co.uk/cds-broadband-voucher-scheme/>
- 5.5. It is possible to register on the mailing list for updates by emailing  
[broadbandvoucher-mailbox@devon.gov.uk](mailto:broadbandvoucher-mailbox@devon.gov.uk)

## 6. Digital capabilities and skills

- 6.1. In addition to Broadband Infrastructure delivery CDS has received grant funding to run a digital awareness programme “Get up to Speed”. This programme provides training and raises awareness of the capabilities of digital technology to private individuals and to businesses across the CDS region.
- 6.2. To date this programme has delivered over 800 events; engaging with over 21,000 people to help boost digital skills and share the benefits of superfast broadband’
- 6.3. Further European Regional Development Fund (ERDF) grant funding is being sought to extend this approach further. If funding is secured it is proposed that digital support and capability building will be extended to many SMEs across the area to help to build their ability to utilise broadband to enhance their businesses and to promote growth.

## 7. Looking forward

- 7.1. **Funding.** Whilst there has been significant investment in broadband services there are still premises that do not have a satisfactory broadband service. These premises are generally the more remote and difficult to reach given current technology constraints. Further funding will be required, both capital to build the infrastructure and revenue to pay for technical, project management and officer support.
- 7.2. CDS continues to seek grant funding from a range of sources to invest in infrastructure for the most difficult areas which are otherwise unlikely to be commercially viable for some time.
- 7.3. In addition to the ERDF funding which has been secured CDS has also submitted an application for funding for £5M from the Rural Development Agency to extend coverage in rural areas. The outcome of this bid is awaited.
- 7.4. SCC and DCC have continued to invest revenue resources to run the team and technical support to manage 8 Broadband infrastructure contracts as well as the voucher scheme and digital capabilities programme.
- 7.5. **Remaining premises.** In 2020 when the current CDS contracts conclude and provided that the commercial sector builds to the premises which it has proposed, it is expected that there will still be some premises which do not have a satisfactory broadband service. These are predominantly in the harder to reach areas to which it is usually more expensive to deliver.
- 7.6. It is currently anticipated that there will be circa 11,300 premises remaining in Somerset which will not yet have a broadband service of 30 Mbps. Of these approximately 1,500 premises will be business/ dual use (business and residential). Of these approx. 1,000 premises will have speeds of less than 15Mbps.

7.7. 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. CDS is seeking to find ways to work with communities and commercial providers to extend broadband infrastructure to all.

7.8. 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.

## **8. FAQ's**

8.1. There is a range of issues which are of interest relating to the programme and the CDS website has a page which sets out a series of Frequently Asked Questions at <https://www.connectingdevonandsomerset.co.uk/faqs-2/>.

Some issues which have been queried include:

8.2. Am I in Phase 2 and when will network build reach my area?

8.3. To find out whether a property is in the build programme check on the Gigaclear website post code checker:

<https://www.gigaclear.com/postcode-checker/>

8.4. Details of the roll out schedule for Somerset County can be found on the Gigaclear website at <https://www.gigaclear.com/connecting-devon-and-somerset-rollout-schedule/>

8.5. This page provides links to each Lot (Somerset is found under Lots 2, 3, and part of Lot 5). The roll out schedule sets out the build start and complete dates for cab areas.

8.6. Government 95% target for England. The government set a national target that 95% of premises should be able to achieve a superfast broadband service by the end of 2017. This is an average for the UK and includes both rural and urban areas.

8.7. There appear to be some misconceptions about the national 95% target.

8.8. Central government targets are heavily dependent on commercial investment and these estimate that overall two thirds of all broadband infrastructure in rural England will be provided commercially.

8.9. In Somerset commercial providers have not reached these numbers.

Provider	Coverage to date	Planned coverage	Total anticipated coverage by 2020
Commercial sector	40%	2 %	42%
CDS	46%	8%	54%
total	86%	10%	96%

- 8.10. The government has never set % targets for publicly-funded local broadband programmes. However commercial providers have not realised governmental expectations for commercial coverage in rural areas. The figures above show that the CDS programme has already delivered the majority of the superfast coverage in the county of Somerset.
- 8.11. Given that broadband provision in Somerset was among the lowest in the country when the CDS programme began in 2013 the number of premises which will be achieved by 2020 represents significant progress.
- 8.12. Wholesale access. the CDS programme does not invest in retail services, it procures open access wholesale broadband infrastructure network. Contactors are required to provide an “Open Access” network under European State Aid regulation and to offer wholesale products on an equal basis to all retailers. The wholesale costs for set up, installation and monthly charges are considered as part of the assurance process and are bench marked in accordance with the contract.
- 8.13. Gigaclear is the provider in Somerset and its wholesale price has been assured and approved by BDUK (part of DCMS). Gigaclear bench marks against other competitors and its prices have been approved by DCMS and Ofcom.
- 8.14. Additional ISPs. Gigaclear has several retail ISPs connecting to its existing fibre network selling services to customers. Gigaclear has informed CDS that larger retail ISPs are not yet selling over the Gigaclear network because Gigaclear does not yet serve enough properties for the larger providers to justify the internal resources for connection to the Gigaclear network. Gigaclear has been advised that major ISPs require a minimum of 200,000 premises before they will consider connecting to the Gigaclear network. Gigaclear plans to reach this figure at some point in the next 2 years.
- 8.15. More information about the programme is available on the CDS website.

<https://www.connectingdevonandsomerset.co.uk/>