



Somerset Council
Climate and Place Scrutiny Committee
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Connecting Devon and Somerset (CDS) Broadband Delivery Programme

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1. Summary

- 1.1. Connecting Devon and Somerset (CDS) is a local government-led partnership which is working to extend Superfast (SF) broadband infrastructure in areas where commercial providers do not plan to deliver a Next Generation Access (NGA) SF broadband service. Next Generation Access (NGA) SF broadband service is a service capable of delivering download speeds of at least 30Mbps. The CDS programme is funded by the Government through Building Digital UK (BDUK) which is an agency of DCMS, local authority partners, grant funders and contractor contributions
- 1.2. Somerset Council is the Accountable Body for the CDS Collaboration.
- 1.3. This activity relates to the Flourishing and Resilient Somerset priority in the Somerset Council plan, working to support digital connectivity across the county.

2. Issues for consideration / Recommendations

- 2.1. This is an update report for information. A fuller report will be brought to Climate and Place scrutiny committee in due course.

3. Digital Connectivity

3.1. Broadband Infrastructure Delivery - overview

Broadband infrastructure in Somerset and the wider region is built by commercial network providers. The public sector is not authorised to disrupt commercial markets and can only subsidise infrastructure in areas where commercial providers indicate they will not build. The commercial providers give their perspective in a formal Open Market Review and public consultation

exercise (OMR process). The OMR process is assured by BDUK prior to a procurement taking place.

The Government developed a gap funded delivery model to support broadband infrastructure delivery. The gap funded model is used to accelerate the deployment of broadband infrastructure. The public sector provides “top up” subsidy to bridge the gap between the investment available from commercial providers and the cost of delivery to areas which are not commercially viable. Importantly, publicly subsidised contracts do not cover the full cost of network build but add subsidy to the existing commercial investment which the contracted companies must make to build the network.

BDUK developed a framework gap funded contract model which underpins the CDS contracts. The contracts incorporate several checks and balances, including but not limited to:

- The contracts limit the amount of subsidy which can be paid and, subject to the agreed contractual terms, require the contracted supplier to complete build for the available subsidy.
- The contracts include milestones which must be met prior to payment being made. The supplier must cashflow the cost of infrastructure build until a milestone is achieved. No payment is made until the relevant milestone has been technically and financially assured.

Over recent years CDS has worked with several providers to extend Superfast (SF) broadband networks to areas where no commercial provider expressed an intention to build.

The CDS programme invests in open infrastructure networks. Such networks are available at benchmarked wholesale prices for Internet Service Providers (ISP) that wish to connect customers. Residents and businesses need to subscribe to an ISP which uses the network and thereby will receive an improved service. Premises internet speeds are not upgraded automatically. All publicly subsidised networks are available on open wholesale access terms and can be accessed via at least one ISP.

In predominantly rural areas where there is less commercial investment in broadband, CDS has made a significant difference. Delivery by CDS in Somerset is currently 134,750 connections, 44% of all connections and significantly higher than the one third coverage requiring public subsidy anticipated by central Government. Indeed, in some areas CDS is delivering over half of the total coverage.

To date, looking at the whole of the CDS area and excluding commercial coverage, CDS has connected 326,000 homes and businesses in Devon, Somerset, North Somerset and Bath and North East Somerset, more than any local programme in England. Cost per premise is in the lowest quartile.

Source: Building Digital UK

CDS Collaboration Background

- 3.2. The CDS collaboration is a partnership of authorities based in the Southwest working together to extend superfast broadband infrastructure networks in our region.
- 3.3. Somerset Council is the Accountable body for the CDS programme. Representatives from collaborating partners and BDUK form the CDS programme board which monitors progress and provides direction to the programme team.
- 3.4. The CDS programme works to extend SF broadband into areas which have been identified as eligible for subsidy in the OMR process. This means the programme targets premises with sub 30 Mbps speeds, often in hard-to-reach areas. Developments in technology over recent years have resulted in suppliers working to higher connectivity standards. Contracts awarded more recently have been for Gigabit Capable (up to 1GBps) broadband networks. Such networks can provide services not only at SF speeds but also at speeds of up to 1 Gbps.
- 3.5. The National Broadband Schemes of 2010 - 2015 and 2016 – 2020 (NBS Schemes) provided the State Aid authorisation permitting the public sector to provide subsidy via contracts for SF broadband networks. BDUK as the National Competency Centre has jurisdiction to approve the award of all SF contracts under the NBS Schemes. CDS contracts were awarded under the NBS Schemes.
- 3.6. Over recent years Government policy for the delivery of broadband infrastructure has evolved. The Government's Superfast Programme was developed to be delivered using local regional authority bodies and collaborations such as CDS. As technology developed Gigabit speeds became the new industry standard. Government policy evolved to deliver Gigabit capable broadband infrastructure through its £5 Billion Project Gigabit programme which was launched in March 2021. The Project Gigabit programme is centrally managed and run by Building Digital UK delivering Gigabit capable broadband across England. There is no scheme like the National Broadband Scheme which would provide subsidy control authorisation for local authorities to invest in a similar way to the SF Broadband programmes.

4. Delivery in Somerset

- 4.1. In Somerset the commercial sector delivered significantly fewer SF premises than the Government expected. Commercial providers delivered 173,005 SF premises whilst the CDS programme has delivered 134,750 SF premises or 44% of SF delivery in the county, a significantly greater level of public intervention than first anticipated by central Government.
- 4.2. **BT Contract:** The CDS Phase 1 contract build was completed by BT in Spring 2017. The contract delivered Fibre to the Cabinet (FTTC) technology with only a small portion of Fibre to the premise technology. FTTC was effective in giving many premises access to NGA SF speeds. Over 130,000 premises were delivered across Somerset under this contract.

- 4.3. BT/Openreach (OR)** The Phase 1 contract and the National Broadband Scheme 2016-2020 provided an opportunity to reinvest £6m, a portion of the contractual clawback known as “Gainshare”, under a national arrangement negotiated by Government. The Gainshare contract extended Gigabit capable broadband to 1704 premises in rural areas across the CDS region including, Dulverton, East Blue Anchor and beyond Wiveliscombe, with build successfully concluding in September 2023. The contract closure process is about to commence, during which BDUK operates its contract closure assurance process.
- 4.4. Wessex Internet.** The contract continues with build progressing in the area which broadly aligns with the former South Somerset District geography. The build programme to deliver circa 4444 premises is running behind schedule and a remedial plan has been agreed which is currently aiming to complete build within the contractual timeframe to March 2025. It should be noted that delays are common in the build of such infrastructure. Common challenges include securing necessary wayleaves to permit build across rural landscapes and obtaining highways permits. The supplier has also reported that during the past winter heavy rainfall has prevented access to land and will have ongoing impact until land is sufficiently firm for machinery to be used. However, build is continuing with premises being connected and milestones achieved for assurance and payment.
- 4.5. Airband** Community Internet has worked with CDS over many years. It successfully built a Fixed Wireless Access broadband network across the Dartmoor and Exmoor National parks providing SF broadband access to circa 1,100 premises.

CDS is not alone in experiencing this and Airband is not the only company with delays to its network build. There are well-evidenced challenges affecting local and central Government contracts showing that costs of delivery in predominantly rural areas have escalated with the result that many alt-net providers and their investors are refocusing efforts on increasing take-up on their existing networks rather than network expansion.

As has been reported in the industry press Airband is undertaking a restructuring of the business and seeking to maximise its sales income. Somerset and Devon are in communication with Airband about the factual position regarding the company and investor’s plans in relation to the CDS Programme and contractual obligations.

Discussions between the local authority partners in the CDS programme and Airband are ongoing, with further work yet to be done. As soon as details are available, they will be shared.

5. Project Gigabit and Implications

- 5.1.** Looking forward, BDUK is responsible for the roll out of gigabit-capable broadband and the expansion of 4G mobile coverage in hard-to-reach areas of the UK. Local councils do not have any input to shape this delivery. Project Gigabit, the Government's £5 billion programme to enable hard-to-reach communities to access gigabit-capable broadband, will look to target homes and businesses that are not included in broadband suppliers' commercial plans in order to reach parts of the UK that might otherwise miss.

As part of Project Gigabit, BDUK has launched local, regional and cross-regional contracts:

- Live contracts: Regional contract, awarded in April 2024 to Wessex Internet to deliver around 21,400 premises in the Dorset and South Somerset geography.
- Live procurements: Cross Regional procurement commenced in July 2023 covering part of North Devon, North West Mid and South East Wales. Estimated contract award date of July 2024.
- Upcoming procurements: Cross Regional procurement Mid Devon, North Somerset, and South Devon. Procurement start date (subject to change) July – September 2024. Estimated contract award date November 2024.

<https://www.gov.uk/government/publications/project-gigabit-progress-update-april-2024/project-gigabit-progress-update-april-2024> (BDUK April 2024 Update)

6. Background papers

- 6.1.** None