

Broadband & Mobile Phone Connectivity Task Group Update Report

1. Background and Scope of Task Group Review

The background and scope for this review are detailed in the September update report which can be viewed at the link below:

<http://democracy.devon.gov.uk/documents/s10467/Task%20Group%20report.pdf>

2. Scope of update report

This content of this report is based on the evidence gathered through the methods outlined in paragraph 3 below and is intended to update the Committee and the public as such. The report does not draw any conclusions, but simply presents a summary of this evidence.

3. Work undertaken to date

Since the publication of the last update report, the Task Group has held two further meetings with witnesses. On 22nd November 2017 Members met with the Chairs of the CDS Board and a representative from the Greater Exeter Strategic Plan team. On 18th December the Task Group met with the Council's Head of Economy, Enterprise & Skills and the Cabinet Member for Economy & Skills.

The Task Group, with support of the Scrutiny Officer, continue to undertake desk research and wider reading around the digital connectivity agenda. A full bibliography will be included in the Task Group's final report.

4. Findings to date

4.1 Communication and Transparency

Many complaints and concerns from the public around transparency and communication originate from a lack of information around the delivery of Phase 1. The contract with BT, held by Somerset County Council, includes several parts which are held as commercially sensitive information (CSI). This prevented deployment plans and levels of detail being shared with the public.

The BT contract was procured as a call off contract from a National Broadband Framework negotiated by Government with two suppliers – BT and Fujitsu. The terms and conditions of the framework flow down into the call off contract, and the degree and level of CSI information was agreed and accepted by Government and by both suppliers.

In addition, the BT deployment was agreed at a postcode level and not a premise level and therefore CDS were unable to provide a home or business owner with certainty that

their property would be included in the deployment; the contract only stipulated a number of properties per postcode would have access to improved broadband services.

CDS are confident that more timely and accurate information will be available through the Phase 2 delivery, which is not subject to the same contractual restraints.

4.2 CDS Board meetings

CDS Board meetings are primarily contract management meetings with providers and therefore it seems reasonable that the majority of discussion at these meetings is genuinely commercially sensitive, and justified in being closed to the public. However, there is still a need to provide accurate and up to date information about delivery to the public, and mechanisms need to be put in place to do this.

4.3 Phase 1 delivery

The BT contract included a requirement to provide connections to business parks. Examples of some to benefit include Marsh Barton and Dunkeswell.

There also remain issues around the government's measure of 'number of homes passed' which includes all premises connected to green cabinets, not recognising the impact that premise distance from the cabinet has on actual speeds received. Phase 2 contracts are measured on superfast connections only, and are at a premises level which removes some of this issue in terms of reporting.

4.4 Phase 2 delivery

The initial submission from BT under Phase 2 (for the area outside of the National Parks) was poor; proposing to use all public funding available, delivering below the target levels of connections in terms of homes reached and not completing until 2021/22. This submission was turned down by CDS as it did not represent value for the level of public investment and the procurement process started again, resulting in the CDS area being split into six lots. Despite this delay, CDS are confident that new fibre and wireless services will be delivered through Airband and Gigaclear in a shorter time frame (by March 2020), than if BT had been awarded the contract.

Gigaclear have now begun trenching work in the first announced communities. CDS and Gigaclear completed agreement on extending their contracts before Christmas and roll out schedules and a postcode checker are published on the Gigaclear website. Any new extension and use of public money need to be state aid compliant and this has taken a short while to conclude.

4.5 Future housing developments and the [Greater Exeter Strategic Plan \(GESP\)](#)

Housing developers have been criticised for not ensuring that new builds have broadband infrastructure. Government advice is that local authorities should be considering superfast broadband provision in their decision making but there is currently no statutory requirement. CDS and County Councils have very limited power in influencing this but pressure is being put on through the GESP Board and is within the scope of District Authorities.

However, demand for superfast broadband is growing from people purchasing new homes and this is driving developers to provide this. In addition BT now offer to fit fibre to the premise in any development of twenty or more houses, but this does tie residents in with BT as the retail provider. There are also issues over the timescales for delivering on this commitment.

More long term, the GESP (looking forward to 2040) recognises the significance of digital infrastructure (broadband and mobile) to support housing growth and the economy. A digital connectivity study has recently been commissioned to look at the economic impact of improved digital technology and the infrastructure needed. This is expected to include recommendations for future planning policy, ensuring that investments are future proof.

To ensure a joined-up approach to digital infrastructure planning, housing and the economy, the GESP team and Council's will need to work closely with the other planning authorities across Devon, as well as the [Local Enterprise Partnership \(LEP\)](#).

4.6 Take Up Clawback and Gainshare

Now that Phase 1 deployment is complete, CDS are working to verify 'homes passed' figures with BT to confirm the level of clawback monies owed. Take up clawback monies are what BT owe to CDS where take up exceeds the BT base used in their financial model of 20%. This is set out in the contract. The National Broadband Framework was based on a gap funded model, and therefore the Call off Contract held with BT works on the same basis. Under this model, CDS gap fund the difference between the level of commercial investment offered by the supplier and the total cost to deliver the proposed solution. The commercial case for BT's level of investment would have been based on a number of factors, including the amount of revenue generated through take up of the wholesale services delivered. These were set at 20%. Where take up is higher than the 20%, the model would have required less public investment, as it would have triggered more commercial investment from BT and less public subsidy from CDS. Under the terms of the contract and required under state aid, this 'over payment' needs to be clawed back by the public sector from BT – this is known as Take Up Clawback.

Clawback is calculated at the end of the deployment phase in the contract, then again after two years, again two years later, and finally after the final year – the BT contract is for 10 years in total. The same model had been adopted by BT across other Local Body contracts. When Take Up levels were projected to be higher than the 20% baseline used by BT they offered to release some of this money early to local bodies including CDS – this is what is referred to as 'gainshare'. Government were required to re-negotiate the national State Aid Approval Scheme, and as part of agreeing a new National Broadband Scheme, reached an agreement that across the UK local bodies could reinvest up to £129m of Take Up Clawback sums (including early Gainshare) with BT and without running a new open procurement. The early Gainshare offer from BT was calculated by BT and the sum offered to CDS was £4.8m.

It is expected that Take Up Clawback will exceed this sum over the next seven years.

4.7 Beyond Phase 2 and reaching the very rural

The biggest challenge beyond Phase 2 continues to be reaching the deep rural areas, which are difficult to reach with cable. Airband and CDS are working on new equipment

which can bounce signal off publicly owned structures as a way of overcoming line of site obstructions as well as looking at whitespace and other technologies.

In terms of the potential spend of gainshare monies, CDS is taking this forward and are checking the state aid requirements to re-test commercial plans and running a public consultation.

The broadband voucher scheme has offered a real benefit for communities which are unlikely to be included in future commercial or publicly funded programmes, and a reintroduction of the scheme would be helpful.

CDS are in the final stages of negotiation on an EU funding proposal to support digital utilisation and for the continuation of the digital education 'Get Up to Speed' scheme. The funding will be aimed at businesses and is hoped to include addressing digital innovation in business as well as digital skills and capability.

4.8 Mobile phone coverage

There are very few areas across Devon and Somerset which are not commercially viable for providers. LEP funding has been secured, subject to a business case for 'not spot' areas and the market is being tested for appetite and piloting alternative solutions.

Opportunities to utilise the infrastructure being established for the emergency service network are being explored, although the location of these masts (mainly along roadsides) and the deployment timetable (finishing in 2021) will need to be considered.

5. Next Steps

The Task Group plans to continue to meet further as necessary, and at this stage plans to publish its final report in March 2018.

6. Membership

Councillors Alistair Dewhirst (Chairman), Kevin Ball, Ray Bloxham, Paul Crabb, Ian Hall and Andrew Saywell.

Councillor Alistair Dewhirst
Chair