

Connecting Devon and Somerset Update

Report of the Head of Economy, Enterprise and Skills

1. Summary

This report provides an update on the roll out of broadband across Devon and Somerset led by Connecting Devon and Somerset (CDS). The contract being delivered by Airband across north western Devon is on target and 7,369 premises are now connected. However, a decision to terminate the five contracts awarded to Gigaclear has been taken. Despite painstaking work by CDS and Gigaclear it has not been possible to agree a plan that CDS and Building Digital UK (BDUK) could support with confidence. A termination notice for all five contracts was issued on 12 September to Gigaclear and a public announcement issued. Development of a re-procurement is underway and other opportunities to extend coverage are advancing.

2. Background

The CDS programme is the largest of its kind in England. It is supported with funding from the Department for Digital, Culture, Media and Sport, the EU's European Regional Development Fund, the Heart of the South West Local Enterprise Partnership and local authorities, including Devon County Council. Somerset County Council is the accountable body, and the programme works very closely with Building Digital UK (BDUK).

To date, the programme has provided access to superfast broadband to more than 300,000 homes and businesses, often in sparsely populated rural areas and over challenging terrain. A further 38,000 homes and businesses have benefited from improved broadband speed. The take up rate for these new services currently stands at 59.44% compared with a national average of 52.4% and is generating significant resources for reinvestment thanks to the Government's gainshare agreement with BT.

Airband is currently building a new network for CDS that will provide access to superfast broadband for around 16,000 homes and businesses across the area by June 2020 and is providing a network to serve around 5,000 hard to reach properties in Dartmoor and Exmoor National Parks with superfast broadband.

CDS awarded five contracts in December 2016 to Gigaclear Ltd based in Abingdon, Oxfordshire to deliver ultrafast broadband across Devon and Somerset. CDS was able to extend coverage in December 2017, having secured additional ERDF funding to a total of 47,810 homes and businesses. Gigaclear are investing £60.5m of their own resources with CDS contributing £31m public sector subsidy to deliver this coverage. Gigaclear also committed to deliver services to a further 43,000 premises under their own commercial programme and a further investment of £67.3m into their commercial build programme.

The award of these contracts was approved by BDUK and the CDS Board, with BDUK playing a full role in the assurance of the proposed contracts.

3. Update on Airband Contract

Airband have continued with the build and to connect homes across north western Devon (LOT4). To date they have covered 7,369 premises and are on target to serve a further 3,500 over the next few months. The company has attended a variety of parish meetings and events to support their roll out and encouraging take up. To date they have more than 850 live customers off this new network, approximately 11% of properties.

Airband have also completed the contract to deliver 5,000 premises across the two National Parks. CDS are working with the company and BDUK to complete the contract and verify coverage.

4. Update on Gigaclear Contracts

CDS awarded five contracts to Gigaclear for completion in December 2019 and subsequently an expansion of the contracted roll out was approved with BDUK for completion by June 2020. The company was contracted to build an underground full fibre network for CDS covering 47,810 homes and businesses. The award of contracts was vetted and approved by BDUK on behalf of the Government. An announcement was made at the end of last year that the Gigaclear contracts were in delay. CDS and Gigaclear jointly issued a [briefing](#) to stakeholders, including councillors and MPs in early November. This set out detail on the five main reasons for the delays incurred by Gigaclear:

- Poor operational capacity and decision-making within Gigaclear
- Lack of operator capacity
- Slow deployment by contractors
- Lack of detailed planning
- Failure to redesign the build methodology

CDS has been withholding public subsidy while Gigaclear attempted to produce a satisfactory recovery plan.

CDS had already had to place Gigaclear on notice of default after it failed to meet contract targets set in early 2018 for the number of homes and businesses connected. Targets have continued to be missed by a substantial margin. By the end of the first quarter of this year (June 30,2019) Gigaclear had provided 496 properties with access to the new network compared to contract targets totalling 28,689. Assurances that the contracts would be delivered in full and on time were given to CDS and BDUK in March 2018 by Gigaclear's previous owner. In October 2018 the new management of Gigaclear said the company would deliver superfast broadband access to between 40% and 50% of the CDS contracted premises by June 2020 with the remaining coverage completed by June 2022. However, despite the new owners investing additional resources, changes in senior management, the opening of a regional office in Taunton, and increasing the number of staff dedicated to the Devon and Somerset publicly funded and commercial broadband operations, the delays increased.

Remedial plans proposed by Gigaclear were withdrawn in January this year with the company saying it could no longer afford the cost of a redesigned programme. At CDS' request, the company undertook, first, a limited cost analysis that indicated construction using poles and overhead cables might be affordable. This was followed by a wider analysis by Gigaclear, again at CDS' request, to support a potential recovery plan by the company in one contract area. However, despite painstaking work by all concerned, it has not been possible to agree a plan that CDS and BDUK could support with confidence. As a result, the

CDS Board in consultation with BDUK and funders took the decision to end the five contracts with Gigaclear.

5. The Way Ahead

CDS intends to launch a fresh procurement this autumn. This will start an estimated 12-month tender process to identify new provider(s) of these services. CDS is formally consulting the market to identify who is building broadband commercially across the area and their plans over the next three years, which are credible and financed. Getting an up to date picture of what's happening means we have a more accurate view of the areas that will continue to need public subsidy.

That knowledge will inform the invitation to tender which CDS aims to publish before the end of December. We anticipate receiving tenders by late spring – bidding for these contracts is a complex undertaking – and we'll begin the process with BDUK of evaluating the tenders in the summer. We hope to have a preferred bidder or bidders by September, then all parties will complete their due diligence, and we'd expect to be in a position to award a contract or contracts by November next year.

CDS has held productive meetings over the summer with a number of companies interested in building full fibre networks in Devon and Somerset and has already started a second round of engagement.

In addition, CDS is working to increase coverage within the LOT 4 contracted area with Airband including the opportunity to introduce a fibre solution. The company is providing a proposal which CDS and BDUK will look to agree as soon as possible.

The CDS Community Challenge Fund will be launched later this year, following successful pilots in Devon and Somerset, enabling local communities to have a real hands-on say in new networks for their areas. A capital fund of £295k has been set aside to support this extension. Its anticipated 6-8 more community solutions can be supported and work has begun to identify opportunities working with a range of suppliers.

A new collaboration with BT to extend coverage in rural areas is also nearing conclusion and is going through assurance within BDUK. This represents delivery of full fibre to a further 2,000 rural premises across Devon and Somerset.

Residents and business can also benefit from the Government's Gigabit and Rural Gigabit vouchers. These are nationally funded programmes and CDS will be encouraging residents and businesses to take full advantage of this opportunity. More information can be found here <https://gigabitvoucher.culture.gov.uk/>

CDS is working with the Heart of the South West Local Enterprise Partnership and other partners to develop a Digital Strategy and a refreshed Local Broadband Plan. The former will focus on the digital ambitions for the region, supporting productivity growth and prosperity for all. The Local Broadband Plan will specifically focus on the connectivity programme and include fixed and mobile solutions.

Keri Denton
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Electoral Divisions: All

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Local Government Act 1972: List of Background Papers

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Background Paper	Date	File Ref.
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