

**Heart of the South West Local Enterprise Partnership
LEP Board Paper agenda item 8**

Report title: Community Challenge Digital Extension Programme

Date: 16 July 2021

Purpose: This paper is for **decision**.

Link to LIS: Indicate by **bolding** which area the paper links to.

Inclusive Growth			Clean growth	
Energy		Engineering		Digital
Ideas/ Innovation	People/Skills	Infrastructure	Bus. Environment	Places

Timing: Immediate

Financial Impact: Yes - £8m of ring fenced Local Growth Funding

Decisions requested: **To not proceed with the proposed programme and review alternative opportunities to support digital transformation**

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Summary

1) Background

1.1 In 2016, as part of the Local Growth Deal 3 funding, and to assist in the delivery of the strategic economic plan objective of 100% connectivity by 2020, the Board prioritised further investment in digital infrastructure through an outline business case from Connecting Devon and Somerset (CDS) for an investment of £10 million to target premises within the ‘final 5%’ that were unserved by superfast broadband or unlikely to get superfast broadband via the commercial private sector over the following 4 years. The project objectives were to:

1. Deliver superfast broadband to 100% of premises across the Heart of the South West by the end of 2020 (- in line with the SEP objective)
2. Prioritise business coverage in NGA ‘white areas’ where the commercial broadband market would not by itself invest.

3. Provide a quality service using appropriate technologies to deliver fast, secure broadband infrastructure which represents good value for money.
 4. Provide a sustainable foundation for complementary activities to encourage business take-up of superfast broadband, improve digital skills and facilitate the development of community broadband hubs.
- 1.2 The outputs anticipated at the time were 100% additional superfast coverage and 5,000 business connections, and the match funding identified totalled £77.5 million from CDS partners, BDUK and an eventual private sector broadband supplier.
- 1.3 This was in addition to other significant commitments by the LEP in successive Growth Deals with Government (and through its Growing Places Fund allocation) to support the roll-out of broadband and mobile infrastructure in the Heart of the South West, namely:
- Growth Deal 1 - £2.5 million for mobile infrastructure
 - Growth Deal 2 - £6 million for broadband infrastructure
 - Growing Places Fund - £4.2 million for broadband infrastructure
 - Growth Deal 3 - £1.57 million for mobile infrastructure
- 1.4 Clearly the SEP target was not reached and Broadband coverage is still approximately 95% rising to slightly over 96% once the current delivery programme completes over the next 2-3 years. Delivery of digital infrastructure in 'hard to reach' areas -ie not delivered through commercial roll-out has had many implementation challenges faced by each of these projects, and is significantly behind the the delivery details anticipated during the initial Growth Deal allocations.
- 1.5 The LEP Board reviewed the funding for digital and mobile connectivity in November 2019 and agreed to ringfence the £8m from Growth Deal 3 for CDS to come forward with a broadband infrastructure proposal but reallocated some £4.5million of funding earmarked develop mobile coverage as the commercial position had changed significantly and there was little evidence to support further investment.
- 1.6 The Board agreed to reinvest this funding in Digital to support a broader range of digital delivery – including £1m vouchers to boost mobile connectivity and 5G delivery at Plymouth Smart Sound – the core enabling technology that supports Ocean Futures and Freeport.

2) Community Challenge Extension Programme

- 2.1 On the 10th May 2021, CDS submitted a detailed business case for an investment of remaining balance £8m (£7,840,000 plus 2% management fee of £160,000) into the Community Challenge Extension Programme (CCEP). The aim of the programme is to extend gigabit capable broadband infrastructure to communities with Next Generation Access (NGA) 'white premises', which are those not in existing commercial or public sector plans for NGA delivery.
- 2.2 The business case refers to circa 20,000 premises in the region outside of current rollout plans, and that many of these unserved premises would be eligible for the government's Gigabit vouchers. However, the remote location of many premises means that the cost of

delivery still exceeds the available voucher subsidy. CCEP would therefore provide top up funding, leveraging significant commercial and government funding by helping to direct the focus of DCMS's Gigabit voucher scheme being run by BDUK. CCEP would enable vouchers to be available to 2,031 premises, of which 259 would be business premises and 1,772 would be residential premises.

- 2.3 The total project cost is £11,759,795, providing public match of £3,564,500. The project completion date is December 2024 and the spend profile is as follows:

21/22	22/23	23/24	24/25
£392,061	£2,743,907	£3,135,932	£1,568,100

- 2.4 It is not currently clear how – or what technologies would be deployed to service the other 18000 premises; nor which properties would be targeted and the project delivers have suggested that to develop the levels of engagement it would take 4 years to deliver. They have also stated that under current state aid rules and in line with Government policies and available technologies there is currently no other means to deliver.

3) Appraisal Conclusions

- 3.1 An independent appraisal has been commissioned, which accompanies this covering paper. The appraiser has concluded that the project should be rejected as it does not offer value for money. The benefit cost ratio is 1:1.5 over the 4-year period, which is principally driven by three combined factors:

1. The number of premises targeted through the programme;
2. The assumed split between residential and business premises; and
3. The typically higher cost of connectivity, and hence voucher value, that will be required for these 'NGA white label' premises.

4) Recommendation

- 4.1 This investment was considered at the LEP's Strategic Investment Panel (SIP) on the 6th July and was minded not to recommend approval of the £8 million investment in CCEP. SIP was united in wanting to enable improvements to digital connectivity for businesses in hard to reach areas.
- 4.2 The appraisal conclusion that it did not deliver value for money was a concern but it was also accepted that there is significant market failure and therefore it will always be more expensive to deliver such solutions. SIP was specifically concerned that CDS did not know whether the gigabit solution was what business actually needed and wanted to understand whether there was a better solution. The government's recent call for evidence on improving connectivity for very hard to reach premises was also noted, the findings of which had not yet been reported.

- 4.3 It is therefore recommended that the Board request further information on alternative solutions to support delivery of the digital strategy including digital connectivity faced by many businesses in remote rural areas, and that this be brought back to the Board for further discussion at its next meeting in September. This should be targeted at activity that will help deliver the Heart of the South West Digital Strategy over the next two years.