

Heart of the South West Local Enterprise Partnership

LEP Board Paper agenda item 8

Report title: LEP Digital Funding Update

Date: 14 July 2023

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

Decisions requested:

The Board is asked to note this paper and agree to the following recommendations from OIC:

- i. Invite a business case from CDS to invest £437,480 in the Community Challenge Fund, made up of the £391,280 LGF contribution to the Voucher Top-Up Scheme and £46,200 Mobile Boost LGF underspend. Final decision to be delegated to OIC.
- ii. Agree to return the unspent £433,376 GPF from the Voucher Top-Up Scheme to the Growing Places Fund unless there is proven community demand to support an increase in the LEP's contribution into the Community Challenge Fund. Final decision to be delegated to OIC.

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Summary

This paper provides an update on Project Gigabit and the LEP's £8 million Digital Investment Programme, and asks the Board to agree to two OIC recommendations.

1) Background

- 1.1 The LEP has long recognised that digital connectivity is vital for improving productivity and delivering inclusive growth across Devon, Plymouth, Somerset and Torbay, and the Local Industrial Strategy and more recently the Build Back Better Plan recognise the potential for digital advancements in our priority sectors to be transformational. The Heart of the South West Digital Strategy encapsulates this in its vision statement to embrace technology, maximise adoption and impact, and be recognised as one of the UK's foremost digital leaders. The four priority areas in the strategy are digitally skilled people, digitally driven growth, digitally connected communities, and digitally inspired places.
- 1.2 The LEP has successfully targeted a proportion of its funding towards digital projects over the last six years:
- In 2016, we approved a £10.2m grant for Connecting Devon and Somerset (CDS) to deliver the Superfast Broadband Extension Project, the phase 2 programme of capital investment in the physical infrastructure needed to extend the coverage of Next Generation Access Broadband (30Mbps and above). This was made up of £6m from the Local Growth Fund and £4.2m from the Growing Places Fund.
 - In 2020, we approved a further £3.9m for three digital projects - Mobile Boost received £1m, Further Education Digital Accelerator received £1.13m, and 5G Smart Sound Plymouth received £1.8m.
 - In 2021, the Board approved a further £8m in a new Digital Investment Programme focussing on digital skills, digital business utilisation and community triage, digital infrastructure, and the Build Back Better transformational opportunities.
- 1.3 The Board received an update on the three projects approved in 2020, and these have all now closed. This paper provides an update on the government's roll out of Project Gigabit and proposes a further investment in digital connectivity. It also provides an update on the £8m Digital Investment Programme.

2) Project Gigabit

- 2.1 Building on the work of the current Superfast Programme, the government's £5bn Project Gigabit programme has a target of delivering 85% fibre coverage across the UK by 2030. It will address both properties currently sitting below superfast speeds as well as those that are already capable of superfast. Unlike the Superfast Programme, which was managed regionally by Local Bodies (such as CDS), Project Gigabit will be run by central government, with contracts let by the Department of Science, Innovation and Technology (DSIT) and managed by Building Digital UK (BDUK).
- 2.2 All regions are deemed to be a 'Lot' and the CDS region has been designated as Lot 6, which comprises North Somerset, Bath & North East Somerset, Somerset and Devon. Project Gigabit operates three levels of contract:
- Local contracts - known as Type A contracts, these are intended for geographies of between 4,000 and 10,000 properties.
 - Regional contracts - known as Type B contracts, these are intended for geographies of between 10,000 and 80,000 properties (can also be let, cross-border, between two Lots).
 - Cross-Regional contracts - known as Type C contracts, these are intended for geographies of between 80,000 and 500,000 properties.
- 2.3 Preparatory work in the CDS region began in September of 2022 with an Open Market Review to establish where the market intends to build commercially. There were then a series of Early Market

Engagement meetings with suppliers to get an idea of the industry's appetite for the remaining areas. This process also illuminates the current capacity of suppliers and the scale of contracts that they are capable of undertaking. Using this information, draft intervention areas were drawn up, dividing the region into smaller Type A, B or C areas. These draft areas were then circulated to the market to inform a round of Pre-Procurement Market Engagement meetings to further refine the areas. The final stage is to 'lock' the intervention areas, circulate Supplier Questionnaires, followed by formal Initial Invitation to Tender (IITT) notices being issued to start the procurement process.

2.4 Initial determinations indicated that the intervention in the CDS region would need to target 159,600 premises requiring subsidy in the range of £198 million to £337 million. Following the more detailed assessment of the market, the first contracts in Lot 6 will now target 85,800 premises with a subsidy value of £164.3 million, which is approximately half of the initial determination. Contracts are due to be awarded in Q1 2024. At present, CDS believe the contracting regime for the region will comprise the following:

- Two Type A contracts covering Mid Devon and South Devon
- Two Type B contracts, one covering South Somerset and parts of Dorset, the other covering Bath & North East Somerset (the former has already progressed to procurement).
- One Type C contract covering West Devon, Torridge, North Devon and Exmoor. As a cross-regional contract, this will also address build in North Wiltshire and South Gloucestershire (Lot 30C), West and Mid-Surrey (Lot 22C), Staffordshire (Lot 19C), West Berkshire (Lot 13C), Cornwall & Isles of Scilly (Lot 32C), Hertfordshire (Lot 26C), North West and Mid Wales (Lot 43C). Overall, this contract will deliver to approximately 500,000 premises and has an indicative value of £800 million.

2.5 The Board should be aware that CDS have expressed concern about the size of this Type C contract to BDUK and local MPs. They believe there is a risk that it puts all the broadband eggs in one company's basket with no certainty that rural Devon and Somerset areas will be given priority. Instead, their preference is for smaller contract areas to allow existing regional providers to build out from their current networks and create opportunities for competition from other providers in the region. CDS is also concerned that as yet, there is no plan for delivery to left behind premises that will not be covered under the current BDUK plan.

3) Community Challenge Fund Proposal

3.1 The Board will recall that in October 2022, we approved a £940,500 grant for CDS made up from the Local Growth Fund and Growing Places Fund to establish a Voucher Top-Up Scheme. The aim was to increase the value of BDUK's national Gigabit Voucher Scheme to incentivise the private sector to build new gigabit solutions in hard and very hard to reach communities where the cost was prohibitive for the commercial sector and the level of subsidy offered through the national voucher scheme was insufficient to close the 'gap'. The funding had been reallocated from the Phase 2 Superfast Broadband Extension Project in response to the Lot B contract being terminated and therefore it was targeted at those communities in parts of Somerset that would have benefitted from this contract.

3.2 In December 2022, the government announced that the national Gigabit Voucher Scheme would increase from £1,500 and £3,500 for homes and businesses respectively to £4,500 for all beneficiaries. All voucher top-up schemes have now had to end. Before it was closed, the HotSW Voucher Top-Up Scheme had spent £115,843 of the £940,500 budget. Of the unspent £824,656, Local Growth Funding makes up £391,280 and £433,376 is from the Growing Places Fund.

- 3.3 Unfortunately, the national voucher scheme has been subject to significant delays lately due to an internal data management system change at BDUK and resource constraints. A local supplier has advised us that eight of their voucher applications have been waiting to be processed for 6 months. The added challenge is that as soon as the Project Gigabit procurement exercise for the CDS region starts, the national vouchers will be paused until the contract has been let. While the government's timetable says this will be in Q1 2024, experience suggests that it is more likely to be Q2 2024.
- 3.4 The local supplier has explained that they have delivered a number of projects with a Gigabit Voucher and have therefore built up a skilled and experienced team of engineers with a good reputation for delivering the most remote rural solutions in the Westcountry. The current delays and imminent pause of the voucher scheme means that they, and other small suppliers like them, have no short-term work for the team they have trained and developed over the last four years and risk of losing this important skills base.
- 3.5 In 2019, CDS launched the Community Challenge Fund which enables local communities to select an approved private sector partner and co-produce a broadband solution that works best for them with some financial support and advice from CDS. Pilots were successfully trialled in Devon before being rolled out to other parts of Devon and Somerset. The fund has complemented the CDS broader programme whilst also supporting the Government's full fibre policy. Unfortunately, limited funds have meant the scheme has not been extended to other communities looking to develop their own solutions. However, it remains a live programme that CDS is willing and able to continue to deliver.
- 3.6 The proposal is therefore to invest the £391,280 LGF funding currently allocated for the Voucher Top-Up Scheme that has now closed, together with the £46,200 underspend from the Mobile Boost scheme that closed in March this year, into CDS's Community Challenge Fund. This would be a tactical fund that is flexible and agile, and which could be targeted at those premises that have sub-30Mbs. Importantly, the scheme would be technology agnostic although primarily gigabit capable, but it would also accommodate hybrid schemes such as satellite and mobile. Large, medium and small size schemes would be considered to achieve a balance between geographical spread and spend profile, and smaller providers would be encouraged. CDS have an existing list of approved suppliers which would be augmented by a new call to market specifically for this scheme.
- 3.7 LEP funding would be combined with a contribution from CDS and a contribution from West Devon District Council. Further discussion is needed with Somerset Council given the districts had match funded the original Voucher Top-Up Scheme. It would also be capable of being used in conjunction with BDUK's Gigabit Voucher Scheme. The grant agreement would be between the CDS accountable body and a community entity such as a Village Hall, Parish Council or CIC, and it would be administered by CDS.
- 3.8 In terms of the delivery programme, there would be two phases - scheme development between now and December this year and build throughout 2024. The majority of the spend would be in the second half of 2024. CDS would work in partnership with the local community broadband advisers the LEP is hoping to fund across Devon and Somerset to generate as much demand for the scheme as possible. However, there is a relatively short time available to spend the £437,480 and so the Board should note that there is a risk that it will not all be spent before the LEP's deadline of December 2024.
- 3.9 The remaining £433,376 underspend in the Voucher Top-Up Scheme is Growing Places Funding. The proposal is to return this to the GPF loan fund unless there is proven community demand to

support an increase in the LEP's contribution to the Community Challenge Fund. This proposal was considered by OIC on the 4th July and they agreed the following recommendations to the Board:

- i. Invite a business case from CDS to invest £437,480 in the Community Challenge Fund, made up of the £391,280 LGF contribution to the Voucher Top-Up Scheme and £46,200 Mobile Boost LGF underspend. Final decision to be delegated to OIC.
- ii. Agree to return the unspent £433,376 GPF from the Voucher Top-Up Scheme to the Growing Places Fund unless there is proven community demand to support an increase in the LEP's contribution into the Community Challenge Fund. Final decision to be delegated to OIC.

4) £8m Digital Investment Programme

4.1 In October 2021, the Board agreed an £8 million comprehensive Digital Investment Programme comprising funding to improve digital skills, increase digital business utilisation, improve digital connectivity in very hard to reach areas, and help deliver the digital transformation programmes in the Build Back Better plan.

4.2 Of the £8 million, the following projects have been supported.

A. Digital Skills - £1.5m	<ul style="list-style-type: none"> • Raising Digital Engagement at Key Stage 3 in Secondary Schools - £400,000 • Digital Training for our Core Sectors - £800,000 • Digital Leadership for SMEs - £300,000 <p>All contracted through Devon County Council</p>
B. Digital Business Utilisation and Community Triage - £715,000	<ul style="list-style-type: none"> • £500,000 'Digital Link' service delivered by the Growth Hub
C. Digital Infrastructure - £250,000	<ul style="list-style-type: none"> • £250,000 for Connecting Devon and Somerset to extend the Mobile Boost scheme until March 2023
D. Build Back Better – Digital Futures - £5.535m	<ul style="list-style-type: none"> • £50,000 for Tech South West to develop a digital platform • £500,000 for Destination Plymouth to develop a Tourism Data Hub • £2m for the Satellite Applications Catapult to establish an Environmental Living Lab • £1.2m for the University of Plymouth's Smart Sound Connect Subsurface project • £235,718 for the Taunton Digital Innovation Centre fit-out • £507,000 for Plymouth Science Park's new Digital Reverse Engineering And Metrology (DREAM) facility • £268,777 for Somerset Council to exploit cross-sectoral opportunities by investing in equipment at both the iAero and EPIC innovation centres • £650,000 for the University of Plymouth to develop the Cyber-Resilience of Offshore Wind Network (CROWN)

- 4.3 The final two investments within the £8m programme that we are considering are £215,000 to help fund a network of Local Community Broadband Advisers and £124,505 for the University of Exeter's AI-enabled Co-design in Engineering Laboratory (ACE-Lab).
- 4.4 The remainder of this paper provides an update on each of the approved projects.

A) Digital Skills Series

- 4.5 Raising Digital Engagement at Key Stage 3 in Secondary Schools has experienced some delays. An RDE Tutor to support the delivery of activities has now been appointed and will start in September 2023, and the start of procurement for the training provider is imminent. Of the 100 schools targeted, 39 schools have signed up for the programme to date. Devon County Council have requested that the programme be extended by six months to June 2025 to allow for it to be delivered over two full academic years.
- 4.6 The Digital Training for Core Sectors was intentionally delayed by Devon County Council until the Wave 4 Bootcamps had been commissioned, to avoid duplication and allow the core digital sector training to compliment the Bootcamp offer as opposed to compete with it. However, it has been further delayed again, ITT will now be released 30 June 2023, will be live until 31 July 2023, 5 weeks has been allocated to complete evaluation and moderation.
- 4.7 The Digital Leadership for SMEs programme was launched on the 31st March 2023 following the procurement of Cosmic to deliver the training. Known as Driving Digital, 20 SME applications have been received to date and 19 have been awarded a training place. Of the 19 SMEs enrolled, 7 are from the Clean Growth sector, of which 5 are located in Devon and 2 in Somerset, 8 are from the Health and Adult Social Care sector, of which 5 are located in Devon and 1 in Somerset, and Manufacturing has attracted 4 applications, with all the SMEs located in Devon. Marketing and engagement has been ongoing through April and May, concentrating in particular on the Health and Adult Social Care sector as well as SMEs working within the Clean Growth sector. The team is also in contact with Torbay Development Agency to target SMEs in Torbay since to date, there have not been any applications from businesses in Torbay. You can find out more about Driving Digital [here](#).

B) Digital Business Utilisation

- 4.8 The Digital Business Utilisation contract with the Growth Hub, known as Digital Link, is performing well. The Digital Connector has been in post for some months and the two Digital Business Advisers started in April. The digital support is being well received, with 253 businesses supported to date against a target of 190 in Q1 23/24. The series of free digital guides, produced by the project team, are in particularly high demand and are being well received by business. They are also seeing good levels of engagement through the Spotlight on Digital Tech events that have been held recently in Cullompton and Bridgwater. These involved a variety of stakeholders including Cosmic, SW Cyber Resilience Centre, police cyber team, Digital Exeter, Digital Somerset and Barclays Eagle Labs (who have recently launched their own Digital Growth Grants). amongst others.
- 4.9 The 1:1 service with the Digital Link Business Advisers, to look at how your business can make the most of digital technology service, has now been launched. As part of the digital diagnostic, they are asking businesses about their adoption of digital technologies, which will provide benchmark data and useful insights to inform this and future projects. The Growth Hub is also working closely with Cosmic who are delivering Driving Digital, the LEP's digital leadership skills programme. You can find out more about Digital Link [here](#).

C) Digital Infrastructure

- 4.10 The Mobile Boost scheme was designed to help small businesses and homeworkers in partial or total indoor mobile not spots improve their indoor 4G coverage by acquiring a signal booster through a universal voucher scheme across the Heart of the South West area. It specifically targeted premises that had no adequate coverage from any operator or only one operator, and offered a voucher for up to £1,200 depending on the technology required. The scheme has been delivered by CDS who forecast 1,345 installations by the end of December 2022, surpassing the target we set of 1,250 installations. The Digital Investment Programme enabled us to extend the Mobile Boost scheme for a further 3 months to March 2023 and support a further 300 installations.

D) Build Back Better

- 4.11 Several projects have been supported under the Build Back Better strand of the Digital Investment Programme following two successful calls for expressions of interest.
- 4.12 £50,000 was approved for Tech SW to support the LEP to develop an Access to Finance Platform. This platform will launch over the summer and provide an online space where businesses, funding providers and funding professionals can meet, exchange best practice, funding opportunities etc. The platform was a specific recommendation from an Isca Ventures report into the challenges facing SMEs in accessing finance and will be a key channel for the British Business Bank and other funders to access SMEs, and for SMEs to access the support they need to secure funding. The July/August period is a soft launch to build content and then activity will step up from September.
- 4.13 £1.2 million was approved in July 2022 for the University of Plymouth's Smart Sound Connect Subsurface Project to further enhance the unique proving ground in Plymouth for businesses to test, trial, prototype and commercialise new products and services across multiple sectors, including offshore energy, aquaculture, defence, and advanced engineering. Building on the Smart Sound Connect project also funded by the LEP, the University of Plymouth has now procured the Plymouth based marine energy, defence and science company Sonardyne to install, operate and manage an underwater acoustic communications and navigation network in partnership with the University and PML, which will link to the existing surface assets. This will elevate Smart Sound's capabilities to a new level and create the first truly multi-domain connected offshore environment in the UK.
- 4.14 £2 million was approved in July 2022 for the Satellite Applications Catapult to establish an Environmental Living Lab, enabling the trial and demonstration of sustainable agricultural and environmental technology in the Heart of the South West. The Lab forms part of the Catapult's national Living Labs network and will enable collaboration between the space sector and the agriculture and environmental sectors to trial new solutions, and demonstrate environmental and economic benefits of satellite-enabled technologies across real world environments in agriculture, horticulture, animal husbandry, aquaculture, woodlands and other habitats.
- 4.15 The investment includes the refurb and fit out of three training facilities. Petroc's new facilities in Barnstaple will be launched in September and the other two training facilities at Bicton College in East Devon and the Cannington campus of Bridgwater and Taunton College will be available later in the year. Each location will be equipped with 5G mobile and demonstration labs, with 3D modelling and immersive technology capabilities to bring in field connectivity for research and demonstration purposes, increasing adoption of technology across the farming communities. The University of Plymouth is also building a mobile lab to take to farms.
- 4.16 The Environmental Living Lab will also ensure the region's future workforce has the relevant digital skills to encourage the adoption of innovative technology, and realise the associated environmental benefits, strengthening the collaboration between education providers and employers. The Lab is also benefiting from the expertise of the Joint Centre of Excellence in Environmental Intelligence, a partnership between the University of Exeter and the Met Office, and the North Devon Biosphere.

- 4.17 £500,000 was approved in July 2022 for Destination Plymouth to build a Tourism Data Hub, a sustainable and comprehensive data and research programme to support tourism, leisure and hospitality businesses increase their productivity and to provide consistent, robust, and valuable data insights into consumer and business behaviours to enable DMOs and businesses to undertake more efficient market targeting and product development. By providing businesses access to real-time data on indicators such as visitor arrivals and spend, visitor demographics, hotel and transport capacity, and forward bookings it will help them spot the gap between actual performance and market potential and allow them to make informed decisions.
- 4.18 The project is being delivered in two phases. In March 2023, Acorn T-Stats were appointed to undertake a Feasibility Study to determine the scope, management arrangements and operating cost of the Tourism Data Hub. The recommendations were presented to OIC on the 4th July and agreement was given to go ahead with procurement of the Hub. Development of the platform will then take 6 months, enabling the LEP to also fund the first 12 months of operation until March 2025.
- 4.19 Construction of the Taunton Digital Innovation Centre continues apace, with £235,718 from the Digital Investment Programme to support fit out and mobilisation of the centre. Factory 4.0 and wider digitalisation now underpins nearly all sectors and Somerset is poised to exploit opportunities across digital and data. When the Centre is open in Autumn 2023, the 2,613 square-metre facility will support collaboration and innovation in the digital economy and provide a focal point for inward investment in the heart of Taunton. UKHO will be one of the first occupiers, using the centre itself as a 'touch-down' point for meetings and working with UKHO partners and collaborators. Their active participation also brings additional credibility and attractiveness to the centre.
- 4.20 In May 2023, £650,000 was approved for the Cyber-Resilience of Offshore Wind Network (CROWN) project. Led by the University of Plymouth and working in collaboration with the Offshore Renewable Energy Catapult and supported by Expleo Engineering UK Limited, the partners are co-designing an offshore wind cyber security research and development facility, CROWN, to support investigation of offshore wind systems and networks with a focus on cyber resilience and vulnerability, to develop resilience procedures, security measures and tools. Procurement is due to start in January 2024 and the technical design of use cases and ongoing development of installation to optimise functionality and meet business needs will run for 12 months from May 2024.
- 4.21 Placing this new facility in the same building as the existing Cyber Ship laboratory at University of Plymouth will establish a maritime cyber-cluster in the Heart of the South West region. The cluster development will be further enhanced by close engagement with the National Cyber Security Centre (NCSC) the National Technical Authority for Cyber Security who are already working with the ORE Catapult and the University of Plymouth. NCSC is part of GCHQ, one of the UK's security services, and was formed in 2016 to provide a unified national response to cyber threats and has been commissioned by UK Government to look across all energy systems. It has just engaged with ORE Catapult to better understand offshore wind networks.
- 4.22 £507,000 was approved in May 2023 for Plymouth Science Park's HoTSW Digital Reverse Engineering And Metrology (HoTSW DREAM) project. This is an industry facing digital engineering test facility to design, manufacture and validate additive manufactured prototypes and products. It adds value to the Advanced Digital Manufacturing Innovation Centre at PSP and the deployment of advanced manufacturing capabilities funded through the LEP's Getting Building Fund. It is also a direct response to manufacturing/engineering companies that have highlighted the need to develop out digital engineering testbeds that can underpin and pilot new production methods empowered by digital technologies. Having access to modern design (including production simulation), scanning, probing and testing technologies will improve adoption rates for advanced manufacturing techniques, develop skillsets, improve productivity and throughput of the manufacturing base whilst building supply chain resilience. Procurement of the equipment is underway now and should all be installed early in the new year.

- 4.23 The final investment decision in May this year was £268,777 for Somerset Council to Exploit Digital Innovation in High Value Engineering. This funding is for additional digital equipment to be installed at both the iAero Innovation Centre in Yeovil and the Electronics and Photonics Innovation Centre (EPIC) in Torbay. This equipment will be available to tenants and users of both centres, providing cross-sectoral benefit as well as wider geographical access. The ultimate aim is for it to increase the capability and capacity of SME's across these two priority high value manufacturing and engineering sectors by providing access to specialist equipment and knowledge transfer, creating the conditions for innovative responses to technological challenges. The first cross-sectoral event is taking place later this month when EPIC and the Hi Tech Cluster will be attending a DBT event at iAero to facilitate links with the US aerospace market.