

DERBYSHIRE COUNTY COUNCIL

CABINET

11 March 2021

Report of the Director – Economy, Transport and Environment

**RURAL GIGABIT BROADBAND TOP UP VOUCHER SCHEME
(HIGHWAYS, TRANSPORT AND INFRASTRUCTURE)**

(1) **Purpose of Report** To update Cabinet of the opportunity afforded by a recent Department of Culture, Media and Sport (DCMS) initiative enabling 'local bodies' to provide a "top up" contribution to the Rural Gigabit Voucher Scheme, to identify the most appropriate potential funding options and to seek approval to participate in this scheme.

(2) **Information and Analysis**

Background

Derbyshire's superfast programme (Digital Derbyshire) has been in place since 2014 and is based on achieving 24mbps broadband speed. Overall take up for the programme has now reached 59% and to date, the County has achieved 95.8% coverage at 24mbps. However, this level of coverage is not consistent across Derbyshire; high speeds and high coverage is better achieved in urban and sub-urban areas and there are several examples where the speed has either dropped below this threshold or the existing infrastructure (beyond the roadside green cabinet) is not able to maintain the required speed resulting in many properties not being able to achieve the Superfast speeds.

The problem of speed and coverage is much more prevalent in rural areas where the digital infrastructure is very old. There are circa 3,900 postcodes within Digital Derbyshire Intervention Area (the last 5% of the County area) that contain properties not able to access Superfast Broadband speeds or where the entire postcode area has been excluded from the Digital Derbyshire roll out on the basis of value for money (see below).

The help enable wider coverage in 'difficult to reach' places, DCMS has in place a voucher scheme that supports residential and businesses premises (typically in rural locations) to access Superfast broadband where the cost of providing infrastructure through the Digital Derbyshire programme is prohibitive (i.e. does not demonstrate value for money or meet Public Subsidy

Control Rules (formerly State Aid) restrictions that prevent an installation going ahead when the cost of delivery exceeds the cost per premise cap (£1,500) within the current terms of the BT contract). Vouchers are currently available from DCMS up to a value of £1,500 for residential properties, but even this can fall short of the true cost of installing digital infrastructure in rural locations which typically can see average costs of £3,000 per property (or considerably more in remote areas).

The voucher scheme is financially supported and facilitated by DCMS and marketed nationally. Communities and premises that are not currently programmed to receive Digital Derbyshire infrastructure increasingly are being signposted to the voucher website where a list of eligible suppliers offer support to the application processes. The aim is to get two or more premises, or ideally whole communities, applying for vouchers as this ensures better economies of scale on infrastructure costs.

For rural areas though, the financial difference between the value of the voucher per residential premise (£1,500) and the real cost of the infrastructure per premise (c £3,000+ on average) are significantly different and often result in the community or group of premises not taking up the voucher scheme on the grounds of affordability. This means more Derbyshire communities are getting left behind in terms of digital connectivity, contributing to the challenge of 'levelling up'.

Alternative broadband technologies such as satellite, 4G and microwave transmission are available for hard to reach communities but these technologies currently have relatively slow download speeds (usually around 20 Mbps) and are expensive for subscribers due to charges being made for data usage. Other products such as Starlink are also being developed and will be available to the market over the short to medium term. It is important to note that coverage of these technologies is patchy and service availability can be weather dependent. As a result, it is felt that wire broadband technology provides the most stable, future proofed and lowest subscriber cost solution at this moment in time, however, the Digital Derbyshire website will be updated to ensure consumers have access to information on the latest technologies and solutions.

Rural Gigabit Scheme

DCMS is currently implementing a £5 billion Government initiative to provide gigabit (100mbps) capability to all homes and businesses by 2025. Initial indications are that DCMS views "demand led" schemes such as the Rural Gigabit Broadband Voucher scheme as an important part of the overall strategy to increase the fibre broadband footprint to harder to reach/rural communities.

The national Rural Gigabit Scheme has a maximum available budget of £200m within the wider Rural Gigabit Connectivity Programme. It is a micro grant scheme which offers vouchers worth £1,500 per home and up to £3,500 for each small to medium enterprises (SMEs) to support the cost of installing gigabit-capable broadband in rural communities. There is no limit to the number of applications in the scheme and the offer has been available since September 2020 and currently anticipated to finish in March 2021 (based on current DCMS funding and rate of take up). DCMS has advised that a follow on Top Up scheme, benefitting rural communities is likely to be announced and that unallocated funding from the existing scheme can be rolled forward.

The “Top Up” Scheme

‘Top up’ kicks in at the point where the existing voucher values are not sufficient to cover the cost of infrastructure installation. The scheme itself works on a list of confirmed, eligible postcodes that meet the Department for Environment, Food and Rural Affairs (DEFRA’s) definition of a rural location (i.e. class D or beyond). As with the existing voucher scheme, marketing of the offer will take place both nationally and locally to encourage take up and interested premises or communities will be actively signposted to the website of suppliers that support the application process. Local promotion will also include face to face community meetings to encourage economies of scale.

Although DCMS has an available total budget of £200m to support rural connectivity, the Department is seeking a financial contribution from the Local Body to enable access to the fund by rural postcodes in that area. It is proposed that the ‘Top Up’ fund contribution from the Council would be £500,000 which would facilitate access to an additional £1,500 for residential vouchers and £3,500 for SMEs, effectively doubling the value of the current, available voucher. This does seem to reflect the real, average cost of infrastructure per premise in rural areas.

Building Digital UK (BDUK) is the delivery arm of DCMS and is responsible for implementing the Rural Gigabit scheme. BDUK will pay its voucher value first (the existing £1,500 or £3,500 for residential and business premises respectively) and then, if required, will top up the remainder of the cost of installation from the Council’s contribution up to the maximum amount agreed with the local body (Derbyshire County Council). The Council’s financial contribution would remain in the Council’s budget until a retrospective invoice is received.

BDUK has advised it will make an administration charge of £50 + VAT for each community project, i.e. each pre-registered package which could be between one or two postcodes up to 100’s of postcodes, depending on the supplier.

The primary benefit of the 'Top Up' scheme is that an even greater number of residential and business premises in the hardest to reach locations (the last 5%) in Derbyshire would have the opportunity to access exceptionally fast broadband or improve the speed and quality of their current provision; this opportunity is essential to levelling up economic advantage and supporting sustainable growth in areas which typically would not be able to access the current Digital Derbyshire programme.

A Council contribution of £500,000 (this is the minimum amount required by DCMS) would potentially enable at least circa 330 residential or 140 SME premises to take advantage of the voucher scheme in the hardest to reach locations. This figure is likely to be greater due to full top up contribution not being utilised in every case.

The 'Top Up' scheme was launched in September 2020 and the proposal has been subsequently considered and agreed at the Digital Derbyshire Programme Board prior to formal consideration by Cabinet. BDUK is urgently seeking confirmation that participating local bodies have the required funding to support the roll out/conclusion of this phase of the programme.

To date, 14 new projects have been registered in Derbyshire with a combined total value of just under £1m and it is anticipated these projects will require a combined "top up" contribution from the Council of approximately £100,000. The planned roll forward of the top up scheme by DCMS would mean that any unallocated Government or Council funding will remain available for local residents and businesses after 31 March 2021.

A number of funding options have been considered in the development of this proposal. These are set out below alongside the relevant advantages and disadvantages of each:

- a) **Allocate a proportion of the Gainshare earned from the Digital Derbyshire Contract 1:** Despite several attempts to secure clarity, BDUK has not given clear assurances that the Council can utilise Gainshare for this scheme - without losing the BDUK element of the Gainshare. This could mean that the BDUK element of the current Gainshare pot is returned to Government and therefore lost from future local investment in Digital Derbyshire. Furthermore, the Council has been advised that the Treasury is reluctant to move funding from one programme to another.
- b) **Submit a bid to D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) as part of the current pipeline call:** Unfortunately, the call is for future projects with no indication of implementation timescales or available funds. Given the pressing timescales of the Rural Gigabit Scheme, this is not a timely option.

- c) **Utilise nominated Council core funding:** The Council has set aside a Recovery Fund of £15m to support those economic and community initiatives that will aid recovery post Coronavirus (COVID-19). Although there are many competing priorities for this fund, the proposed 'Top Up' Scheme is aligned to the broad principles of the Fund. The COVID-19 crisis has demonstrated the critical importance of good digital connectivity for both residents and businesses to ensure access to e-commerce, health advice, learning and other things and this top up scheme will help support the 'levelling up' of economic growth opportunities in rural areas which otherwise will struggle to access broadband connectivity at any time in the foreseeable future.

Governance

It is anticipated that the 'Top Up' scheme will be administered and managed by the Digital Derbyshire Team in parallel with the day to day management of the wider programme and will be governed by the existing Digital Derbyshire governance structure, including the internal Programme Board.

(3) **Financial Considerations** As detailed in the report. The 'Top Up Scheme' meets the principles of the COVID-19 Recovery Fund and is therefore considered an appropriate use.

(4) **Legal Considerations** The Director of Legal Services will advise in relation to any legal documentation relating to the DCMS 'Top Up' Scheme.

(5) **Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, social value and transport considerations.

(6) **Key Decision** Yes.

(7) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? Yes.

Councillor Bull, Chair of Improvement and Scrutiny Committee – Places has approved the waiver of the call in due to the urgent nature of the decision required.

(8) **Background Papers** Held on file within the Economy, Transport and Environment Department.

- (9) **OFFICER'S RECOMMENDATIONS** That Cabinet:
- 9.1 Notes the Department of Culture, Media and Sport (DCMS) 'Top Up Scheme', including any extended roll out beyond 31 March 2021, and that confirms the County Council's participation and contribution of £500,000 to the programme.
- 9.2 Approves funding to be secured from the Coronavirus (COVID-19) Recovery Fund up to a maximum of £500,000.

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