



**REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE
SERVICES COMMITTEE ON 17 MARCH 2020**

SUBJECT: DIGITAL ROLL OUT IN MORAY

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND
FINANCE)**

1. REASON FOR REPORT

- 1.1 To inform the Committee of progress to date on digital roll-out and future plans.
- 1.2 This report is submitted to Committee in terms of Section III (F) (2) of the Council's Scheme of Administration relating to the exercise of functions that promote economic development.

2 RECOMMENDATION

2.1 It is recommended that the Committee:-

- (i) **considers the broadband roll-out to date and the implications of the delay to the R100 programme.**
- (ii) **agrees to lobby both Scottish and UK Governments to ensure that the funding is made available to future proof investments and ensure projects are at the forefront of digital innovation, as per the Digital Strategy for Scotland. This also applies to Moray Councils strategy for developing the Education estate.**

3 BACKGROUND

- 3.1 This report should be read in conjunction with **Appendix 3 – Glossary** for a full list of acronyms used.
- 3.2 In 2010/11 the UK Government set out its ambition for broadband which was for 90% of premises in the UK to have access to >24mbps broadband by the beginning of 2016. The programme was called BDUK and ultimately delivered to 95% of properties by the end of 2017.

- 3.3 The Scottish Government in 2012 announced its own ambition to deliver >24mbps to 95% of premises by the end of 2017. This resulted in the DSSB being set up, and responsibility for delivering in the Highlands and Islands was delegated to HIE.
- 3.4 Both the UK and Scottish Governments reached their targets nationally, however HIE did not reach the 95% target due to the rural nature of the region and the associated difficulties, such as less houses being served from each investment due to the distribution of housing. The Highlands and Islands figure at the end of 2018 was 84%. This is now likely to be slightly higher due to some reinvestment.
- 3.5 In Moray 84% of the population are now able to access a connection greater than 30mbps, 87% are able to access 24mbps and 8% are not able to access a connection faster than 10mbps. Worryingly 12% of businesses cannot access a connection faster than 10mbps, compared to 5% nationally. Of the 900,000 premises targeted by DSSB the national take up of the subsidised service is just below 50%. Interactive report can be viewed here.
<https://www.ofcom.org.uk/research-and-data/multi-sector-research/infrastructure-research/connected-nations-2019/interactive-report>
- 3.6 It is worth noting here that the 95% target is not the DSSB contract area with BT. The target with BT was to deliver 77% of the contract area, which were premises that would not otherwise be commercially viable and market failure exists. This obviously leaves 23% of the market failure areas unserved with large urban centres pulling up the national average.
- 3.7 The Better Broadband Voucher Scheme was developed to give people with less than 2mbps speeds access to alternative means such as satellite. The voucher was worth £350 however that would still require the consumer to contribute to the overall cost and more expensive than average contract costs.
- 3.8 Overall the DSSB programme cost £442 million, with £146 million from BT, and £296 million from the public sector. This includes Council contributions of £40 million and £11.4 million from HIE
- 3.9 Post DSSB the Scottish Government (SG) has moved on to the R100 programme, which is effectively a continuation of DSSB but using the EU Superfast Broadband definition of >30mbps, up from DSSB's >24mbps. This programme was to be delivered by 2021.
- 3.10 It is important to note that the R100 programme does not aim to reach 100% of properties. It is an ambition to move towards reaching 100%. This is stated in the Scottish Government procurement documentation here
https://www.publiccontractsscotland.gov.uk/search/show/search_view.aspx?ID=DEC304361. Furthermore, R100 will not target premises that get between 24 and 30mbps. For Moray this means that 13% of properties will be targeted with R100, with 3% below 30mbps but not being included in the programme scope.
- 3.11 The roll out of R100 is broken down into the geographical areas, or 'Lots' for procurement purposes. Moray is in Lot 1, the North. BT Openreach have won

the tender, but not signed contracts, for Lots 2 & 3 and were named the preferred bidder for Lot 1. This is now the subject of a legal challenge as there was more than one bidder and the contract award will be further delayed and the R100 programme extended to 2023.

- 3.12 LOT 1 includes around 100,000 premises and the contract value is £384 million. This Lot is more than a year behind schedule already and it can be assumed the completion date will be later than 2023, possibly 2025. A further issue is that in the more accessible Lot 2 R100 will only reach 87% of the eligible premises.
- 3.13 The more difficult nature of Lot 1 means that the number of premises reached could well fall below 80%, meaning 20,000 properties without provision. Included in Lot 1 are the areas to the east of Moray and south to Dundee, which will be more easily reached. Aberdeen is excluded. It is important that the Scottish Government do not allow BT Openreach to leave the least accessible properties but still hit their targets.
- 3.14 The Lot 1 roll out is further complicated by there being 9 mandated areas where 25% of the connections must be FTTP connections. This is both costly and time consuming and will delay the contract award and completion.
- 3.15 FTTP connections when installed can be expensive to the consumer. The Openreach network is not open to other providers as is FTTC connections. This therefore limits the choice consumers have and the lack of competition currently means higher prices.
- 3.16 A further complication is the UK Government pledge that every home in the UK will have access to a gigabit connection by 2025, which would overtake the Scottish Government not having 100% of premises on a 30mbps connection. There will likely be some roll back on the 2025 date however.
- 3.17 The Scottish Government has announced in the interim that those who will not be reached by R100 and those who will not be reached by 2021, even if R100 will eventually reach them, will be entitled to a voucher scheme for alternative methods of connection. There is no detail beyond this of the value of the vouchers, when they will be launched or the administration and eligibility criteria. It is worth noting that vouchers have been available in the past with poor uptake.
- 3.18 Audit Scotland warned at the beginning of 2018 that the 2021 date for R100 was not achievable in their audit report here https://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180920_broadband.pdf
- 3.19 Currently 87% of Moray can receive a 4G signal from at least one provider, compared with 80% in Scotland and 91% in the UK. The Scottish Government 4G infill project is ongoing. Chapeltown near Glenlivet is the only location in Moray to be targeted in 2020

4. **FUTURE DIGITAL ROLL-OUT IN MORAY**

- 4.1 With R100 delayed, and with the possibility of less than 80% of the 13% of properties included in R100 being serviced by 2023 the Council needs to be involved in discussions with SG to ensure the contract Moray receives an equitable proportion of investment and there is not a disproportionate investment in easier to reach areas.
- 4.2 The Council needs to work with partners to ensure that residents are aware of the voucher scheme and be in a position to guide them through the process. This can be achieved through communications from the Council in partnership with other public and 3rd sector organisations.
- 4.3 Rural Businesses with access speed issues will also be eligible for vouchers. Support should be given to access these and new entrants need to be made aware of this. This could be delivered from communications from Business Gateway through their existing networks. **Appendix 2** shows the digital training provided by Business Gateway in the past year.
- 4.4 There are a small number of providers of alternative broadband solutions across the region which may cause a backlog should there be a surge in uptake. Through Business Gateway services could be made available to these providers should they wish to take on additional staff or make additional investment to meet demand.
- 4.5 **Appendix 1** contains information on the Socio Economic Impacts of Broadband. The Ofcom report has shown that there are diminishing returns for investment in higher broadband speeds. Beyond 24mbps the returns are likely negligible to the individual so the impact of the delay when viewed with the voucher scheme can be mitigated. The UK government report shows however that in areas with poor broadband infrastructure where investment occurred 80% of the benefits to the local economy came from business displacement from other areas. This is a serious risk to the Moray economy when we look at the other areas that are in Lot 1, Such as Aberdeenshire, Angus and Dundee as well as larger towns in Highland, as if these areas receive investment before Moray there is a risk of losing businesses and inward investment in the region.
- 4.6 To address this risk the Council should place a greater emphasis on engagement with both governments for digital priority on the priority in the Digital Strategy for Scotland here. <https://www.gov.scot/publications/realising-scotlands-full-potential-digital-world-digital-strategy-scotland/>

1. *“Increase adoption of technologies within manufacturing through the delivery of our plan ‘A Manufacturing Future for Scotland’”.*

In practical terms Moray Council should lobby both Governments to ensure that all projects have the necessary funds made available to digitally future proof all investments at the outset in all Public Sector investment in Moray.

In addition the Council should be at the forefront of the response to the relevant recommendations of the Infrastructure Commission for Scotland report and National Planning Framework 4.

- 4.7 Take up of the existing provision should be encouraged. Currently from the DSSB project only just under 50% of premises with a connection to a 24mbps connection have taken it up. By encouraging take up the economy could realise benefits from individuals who are not yet providing diminishing returns in terms of economic benefit. This could be achieved through communications from the Council and partners.
- 4.8 The Scottish Government report (**Appendix 1**) appears to have focused on the benefit to business figure when stating the benefit is £12 for every £1 spent. As the UK report states they have measured the residential benefit at £1.18 and the business benefit at £12. It is therefore apparent that focus should be on delivery and uptake for business.

5. **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Digital is a cross cutting theme in the corporate plan. Inconsistent digital infrastructure is identified as a barrier to efficiencies that can be gained through digital service provision and lead to an more efficient Council. Poor digital infrastructure is also recognised a barrier to the people of Moray being able to access everyday digital services that are offered by the Council but also others.

The Corporate Plan explicitly states that the Council will look to work in partnership with the Scottish Government on the R100 programme.

The LOIP identifies digital as a barrier to empowering and connecting communities, and like the Corporate Plan places a responsibility on the Moray Economic Strategy to deliver digital.

The Moray Economic Strategy, as with the Corporate Plan has digital as a cross cutting theme that enables the growth of the economy as a whole across all industries.

(b) Policy and Legal

There are no policy or legal implications

(c) Financial implications

There are no financial implications

(d) Risk Implications

There are no risk implications

(e) Staffing Implications

The report suggests communications for residents from Moray Council and communications for businesses from Business Gateway. This would have staff time implications

(f) Property

There are no implications for property

(g) Equalities/Socio Economic Impact

The report states that there could be implications for the Moray economy if the region does not receive an equitable share of the R100 roll-out.

(h) Consultations

The Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Legal Services Manager, Paul Connor (Principal Accountant), Lissa Rowan (Committee Services Officer), the Business Gateway Manager and the Equalities Officer.

5. CONCLUSION

5.1 87% of properties in Moray could access a broadband connection speed of greater than 30mbps in 2018.

5.2 R100 programme aims to reach a further percentage of the 13% of the population who cannot receive these speeds however this programme has been delayed to a 2023 completion.

5.3 In the interim a voucher scheme will be made available to individuals and businesses.

5.4 The Council should encourage uptake of the vouchers as well as encourage uptake of existing provision. Support should be provided to business to facilitate the process.

Author: Michael O'Donnell, Senior Officer Economic Strategy and Development

Background Papers: Appendix 1 – Economic and Social Impacts of broadband
Appendix 2 – Digital Skills Provision in Moray
Appendix 3 - Glossary