

## **Item: 7**

**Policy and Resources Committee: 30 November 2023.**

### **Project Gigabit Procurement.**

### **Report by Corporate Director for Enterprise and Sustainable Regeneration.**

## **1. Purpose of Report**

To consider a request from the Scottish Government for support on the principle of issuing a Type A contract for gigabit capable infrastructure covering eligible properties in the Northern Isles.

## **2. Recommendations**

The Committee is invited to note:

### **2.1.**

That Project Gigabit funded by the UK Government and run by Building Digital UK, on behalf of the Department for Science, Innovation and Technology, was launched in England in March 2021 and is aimed at delivering gigabit capable broadband to the final 20% of the population.

### **2.2.**

That the main part of Project Gigabit is funding towards the procurement of contracts to develop gigabit capable broadband infrastructure in a number of identified areas around the country.

### **2.3.**

That, to date, although Project Gigabit has only been running in England, the Department for Science, Innovation and Technology is about to launch the same project in Scotland, with the Scottish Government running the scheme.

### **2.4.**

That the UK Government has laid down very tight parameters to ensure that Project Gigabit is run exactly the same in Scotland as it has been run in England.

### **2.5.**

That, in early March 2023, the Scottish Government carried out market engagement to gauge the level of potential interest in Project Gigabit in Scotland and better understand suppliers' planned commercial build, and thereafter publish information on the number and location of eligible properties, with a view to commence live procurement in late 2023.

## **2.6.**

That the Scottish Government will offer three different contracts, as follows:

- Type A Contracts: smaller contracts within a defined area through a mini competition under a dynamic purchasing system.
- Type B contracts for larger geographic areas that are each subject to a procurement exercise.
- In addition to Type A and Type B contracts, there will also be a Cross Regional Framework which is to be known as Type C.

## **2.7.**

That, following a period of market engagement, the Scottish Government believes there is sufficient market interest to progress a type A contract covering eligible properties in Orkney and Shetland, and is seeking support from both Shetland Islands Council and Orkney Islands Council.

**It is recommended:**

## **2.8.**

That the Council supports the Scottish Government's proposal to issue a Type A contract covering the Northern Isles as part of Project Gigabit.

## **3. Gigabit Services**

Gigabit-capable broadband means download speeds of at least one gigabit-per-second (1 Gbps or 1,000 megabits per second, Mbps). A 1 Gbps download speed would allow a high-definition film to be downloaded in under one minute.

## **4. Scottish Government Reaching 100 (R100) Programme**

### **4.1.**

The Scottish Government launched the Reaching 100% programme (R100) in 2017 with the aim of having full coverage in Scotland for all premises with a minimum speed for 30 Mbps. Under the original programme the network was to be complete by 2021. The contracts were tendered in three geographic lots (North, Central and South), with Orkney being in the North lot. After three years in the tendering process BT Openreach were awarded the Central and South lots as the sole bidder; however, following the award of preferred bidder status to BT in the North lot tender, a legal challenge was brought by internet service provider Gigaclear. This legal challenge was resolved in August 2020, but has resulted in delays in mobilisation of the North lot.

### **4.2.**

As of October 2023, only 5.4% of premises in Orkney have access to gigabit capable services. Under the R100 contract, Openreach are expected to deliver fibre to the premises to over 3200 premises. The build programme has been extended to 2026.

### 4.3.

Details of the estimated build programme and number of properties included by telephone exchange is detailed in the table below.

<b>Exchange</b>	<b>Expected 'Ready for Service' by</b>	<b>Contracted Premises</b>
Balfour	30 June 2024	183
Birsay	30 June 2024	142
Burray	31 December 2025	20
Deerness	31 December 2025	77
Eday	31 December 2024	123
Evie	30 June 2023	76
Finstown	31 December 2022	126
Harray	31 December 2023	133
Holm	31 March 2023	64
Hoy	31 March 2023	184
Kirkwall	30 June 2026	112
Longhope	31 December 2023	228
Orphir	30 June 2026	87
Papa Westray	31 December 2024	66
Rousay	30 June 2025	162
Sanday	31 December 2023	318
Sandwick	30 June 2026	200
St Margaret's Hope	31 March 2023	344
Stromness	30 June 2023	166
Stronsay	31 December 2025	206
Tankerness	31 March 2023	85
Westray	31 December 2024	216

### 4.4.

Although not part of the R100 programme Openreach has indicated that it intends to invest in full fibre services for Kirkwall.

### 4.5.

It should be noted that the R100 build programme is likely to overlap with the Gigabit infrastructure subsidy programme. This could result in some uncertainty on the number and location of properties eligible for gigabit subsidy.

## **5. Gigabit Infrastructure Subsidy Programme**

### **5.1.**

The Gigabit Infrastructure Subsidy programme is a UK Government programme aimed to support the build of gigabit-capable broadband infrastructure in the areas of the UK which are unlikely to attract commercial investment for gigabit-capable broadband infrastructure within a reasonable timeframe, if at all, referred to as the final 20% (f20). Financial support is in effect gap funding infrastructure deployment to properties where commercial build will not occur without Government intervention.

### **5.2.**

A total of 30 live procurements and contracts have been awarded to date worth £1.4 billion covering mainly English local authority areas.

### **5.3.**

The Department for Science, Innovation and Technology (DSIT) is about to launch the same project in Scotland. The Scottish Government is going to run the scheme but the UK Government has laid down very tight parameters to ensure that the scheme is run exactly the same in Scotland as it has been run in England.

### **5.4.**

In early March 2023, the Scottish Government carried out market engagement to gauge the level of potential interest in Project Gigabit in Scotland and better understand suppliers' planned commercial build. On 23 March 2023, the Scottish Government launched a Public Review (PR), seeking to validate the findings of its most recent Open Market Review (OMR), which closed in October 2022. The PR invited responses from suppliers, businesses, the public and service providers. The PR closed on 24 April 2023 and analysis is currently being undertaken of information received.

### **5.5.**

It is anticipated that the Scottish Government will publish information on eligible properties with a view to commence live procurement in late 2023.

## **6. Gigabit Procurement Contract Types**

### **6.1.**

The main part of Project Gigabit is the procurement of contracts. These take the form of smaller contracts; in effect a mini competition within a specified area under a dynamic purchasing system (Type A contracts) and contracts for larger geographic areas that are each subject to a separate procurement exercise (Type B contracts).

## **6.2.**

In addition to Type A and Type B contracts, there will also be a Cross Regional Framework which is to be known as Type C. This will target premises that have been unsuccessfully delivered either via Type A and B contracts.

## **6.3.**

Project Gigabit will also provide continued funding for vouchers to connect customers in hard to reach areas, but vouchers will be removed once contracts have been awarded in any given area.

## **6.4.**

In April 2023, the Scottish Government and Building Digital UK (BDUK) carried out Procurement Area Market Engagement, engaging with broadband infrastructure suppliers to gauge the level of market interest in bidding for new gigabit-capable broadband contracts in Scotland.

## **6.5.**

The budget for any future procurements is unknown but will be specified within the relevant Invitation to Tender (ITT) documentation when published. As with previous government projects, there may not be sufficient funding available for full coverage.

## **6.6.**

The Scottish Government has recently contacted the Council seeking support from both Shetland and Orkney Islands Councils on the principle of issuing a Type A contract covering the Northern Isles.

# **7. Benefits for Orkney supporting a Type A contract**

## **7.1.**

Type A contracts are run using a two-stage process. Firstly, during the initial setup stage all suppliers who meet the set criteria will be admitted to the Dynamic Purchasing System (DPS) and there is no limit on how many suppliers may apply to it.

## **7.2.**

The DPS has the advantage of speeding up and streamlining procurement for suppliers and the award of tenders can be quicker than some other procurement procedures.

## **7.3.**

Type A contracts are for smaller defined areas making it possible for smaller suppliers to participate. This should provide greater competition to deliver full fibre networks in Orkney within shorter time frames.

#### **7.4.**

There is a risk however that smaller companies often lack experience in dealing with the Government's complex and onerous contract terms and conditions. These give extensive obligations that must be met by operators.

#### **7.5.**

Regardless of who is offered the contract for the Northern Isles, there is no guarantee that 100% coverage will be achieved. It is likely that a number of properties – referred to as very hard to reach areas – will not have an affordable solution.

#### **7.6.**

Should the Scottish Government not proceed with a Type A contract for the Northern Isles, or if there is no appropriate market interest then all eligible properties will be included in a Scotland wide procurement exercise, realistically there may only be a few big "single" suppliers, such as BT (Openreach), that are capable of delivering this.

### **8. Links to Council Plan**

#### **8.1.**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority theme of Connected Communities.

#### **8.2.**

The proposals in this report relate directly to Priority 15 Digital Connectivity in relation to support and enable the delivery of digital connectivity across Orkney of the Council Delivery Plan.

### **9. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Local Equality.

### **10. Financial Implications**

#### **10.1.**

In March 2021, the UK Government announced an ambition to deliver nationwide gigabit-capable broadband as soon as possible, recognising that there is a need for government intervention in the parts of the country that are not commercially viable. They have committed a total of £5bn to ensure that all areas of the UK can benefit. This will be spent through a package of coordinated and mutually supportive interventions, collectively known as Project Gigabit, with an initial intervention of £1.2bn targeting at least 85% gigabit coverage of the UK by 2025.

## **10.2.**

There are no financial implications arising from the report recommendations, and there should be no financial implications for the Council in the roll-out of Project Gigabit by the UK and Scottish Governments.

## **11. Legal Aspects**

There are no significant legal implications arising from the recommendations contained in this report.

## **12. Contact Officers**

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