



**31 March 2015**

**Agenda Item: 6**

**REPORT OF THE CORPORATE DIRECTOR, POLICY, PLANNING AND  
CORPORATE SERVICES**

**BETTER BROADBAND FOR NOTTINGHAMSHIRE – AUTHORISATION FOR  
CONTRACT 2**

**Purpose of the Report**

1. The purpose of this report is to inform Committee of the outcome of the negotiations that the Council has concluded with BT and BDUK for contract 2 of the Better Broadband for Nottinghamshire (BBfN) programme. It seeks approval for delegated authority for the Corporate Director, Policy, Planning and Corporate Services to enter into contracts with BT and BDUK in consultation with the Leader of the Council and Chair of Economic Development Committee, subject to the successful conclusion of ongoing negotiations.

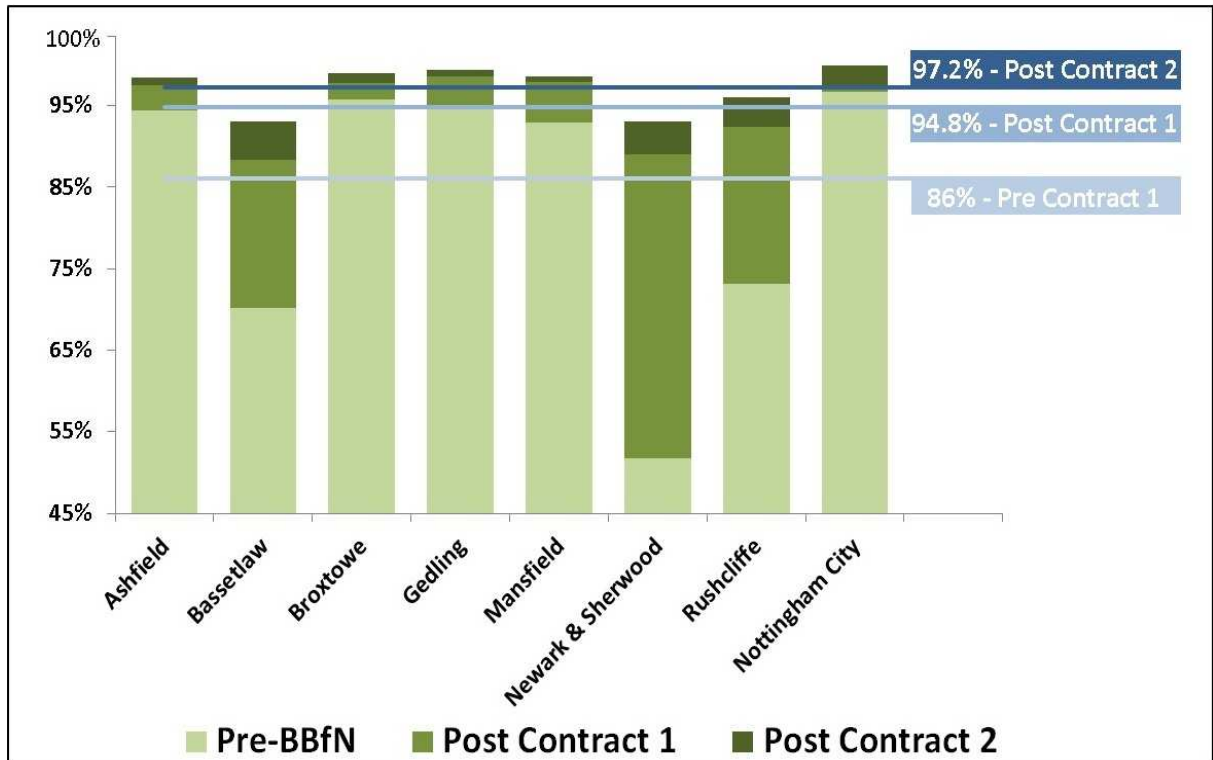
**Information and Advice**

Contract 2

2. In February 2014, the Secretary of State for Culture provided an indicative allocation of £2.63m through its Broadband Delivery UK (BDUK) project, subject to pound for pound match funding. This has afforded the County Council and its partners the opportunity to extend the reach of fibre coverage and improve broadband speed outcomes across the city and the county.
3. The full match funding package of £2.63m was met from the D2N2 Local Enterprise Partnership (LEP) - Local Growth fund.
4. The preparatory work on contract 2 involved an Open Market Review (OMR) to check the latest position on the quantity and quality of broadband coverage across Nottingham (excluding the city centre) and Nottinghamshire to help identify where the new public investment should be spent. We used this information to produce a map of the 'White Area', where there is no adequate coverage, existing or planned, and held a public consultation to ensure this map was correct. The total number of premises that are eligible for public investment as part of contract 2 is 24,737.
5. As previously agreed by partners and by Policy Committee, the focus of the Invitation to Tender (ITT) for Contract 2 was on the borough and district council areas of Bassetlaw, Newark & Sherwood and Rushcliffe. These three areas receive significantly lower coverage than other parts of the county at the end of contract 1 (88.1%, 88.8% and 92.1% respectively). For clarity, the exact wording in the ITT was as follows:

*Additional postcodes are identified for those parts of Nottinghamshire that will achieve <95% NGA broadband coverage through contract 1. For the avoidance of doubt, this means that resources in contract 2 will be focussed on the local authority districts of Bassetlaw, Newark and Sherwood and Rushcliffe.*

6. The response to the ITT from BT does not respond sufficiently to the priorities as mandated in the Invitation to Tender as a significant proportion of the 'total homes passed' (THP – the standard performance measure) are in urban areas, particularly Nottingham. The County Council has attempted to mitigate this through intensive negotiations with BT and BDUK in recent weeks.
7. Further clarification has been sought from BT about the cost of covering the urban THP in Nottingham. Given the density of premises in the City, the costs allocated to coverage in the City are much lower per premise than in the rest of the County. Initial estimates suggest that the total cost of the increased coverage in the City proposed in contract 2 will be £240,000, which represents 3.8% of the total investment.
8. The County Council has negotiated an additional £120,000 contribution to contract 2 from BDUK, which means that investment in Nottingham will be entirely funded by BDUK rather than utilising local match funding. This will effectively release £120,000 for additional investment in the County area.
9. BT state the premises coverage in Nottingham is essential for their revenue model to work. It should be noted that the model is entirely in line with the BDUK national framework and contract that all areas using the framework have to commit to. In addition Members will be aware that BT are the only supplier remaining on BDUK's procurement Framework (since Fujitsu formally withdrew on 18 March 2013) and they remain the provider with the largest UK coverage range.
10. The bar chart below demonstrates the increased access to fibre broadband in each area of the County (and Nottingham City) which will be achieved by the end of contract 1 and contract 2 (subject to contract 2 being agreed). The % of THP with access to fibre broadband after contract 2 in the three priority borough and district council areas is as follows:
  - a. Bassetlaw – 93%
  - b. Newark and Sherwood – 93%
  - c. Rushcliffe – 96%
11. Total coverage across the City and County will reach just over 97%, meaning that there will be approximately 13,750 premises in the area without access to fibre broadband, once both contracts have completed.
12. The increases in access to fibre broadband by area, shown before contract 1, after contract 1 and by the end of contract 2:



13. The City of Nottingham and Nottinghamshire Economic Prosperity Committee considered the issues relating to contract 2 at its meeting on 20<sup>th</sup> March. The Leaders agreed that Nottinghamshire County Council should continue to negotiate with BT and BDUK for a better outcome for Bassetlaw, Newark and Sherwood and Rushcliffe, with a view to each of those districts achieving a minimum of 95% coverage through contract 2. The Leaders were very clear that they would not support Nottinghamshire County Council signing contract 2 on the basis of the current BT proposals.

**Other options considered**

14. Reject the BT tender submission. This option remains open but the County Council would risk losing investment of over £6.3 million in Nottingham and Nottinghamshire and an additional 11,000 premises not having access to fibre broadband.

15. Re-run the tender process. BDUK have done an in-depth value for money assessment on the BT submission and have concluded that the proposal does offer value for money for the Government’s and local investment. BT have indicated that any re-running of the tender process would result in a very similar outcome. Attempts by the County Council to exclude areas or refocus the investment would result in a significant detrimental impact to the value for money aspects of the contract and BDUK have confirmed this.

16. BDUK funding is intended to be used to pass as many eligible premises as possible with the least public funding. In the case of the BBfN programme, the BDUK funding will deliver the best value for money (according to BDUK’s definition) if premises in Nottingham are included.

## Statutory and Policy Implications

17. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described in the body of the report.

## Financial Implications

18. The overall cost of contract 2 is as follows:

<b>Contract 2 - Funding to achieve &gt;97% by December 2018</b>		
<b>Row ref.</b>	<b>Contributor</b>	<b>£m</b>
A	Government match funding (BDUK)	2,750,000
B	D2N2 Local Enterprise Partnership (LEP)	2,630,000
C	BT	972,237
D	<b>TOTAL COMBINED FUNDING FOR CONTRACT 2</b>	<b>6,352,237</b>

19. As with contract 1, the gain-share mechanism applies to contract 2. Where take-up is higher than the modelled rate (i.e. 20%), the gain from the increased take-up is shared based on the Intervention Rate, whilst the risk of any short-fall is solely borne by BT.

## RECOMMENDATION/S

20. It is recommended that Economic Development Committee approves delegated authority for the Corporate Director, PPCS to enter into the necessary contractual arrangements with BT and BDUK relating to contract 2 of the Better Broadband for Nottinghamshire programme. This is subject to a successful conclusion to ongoing negotiations and on the basis that a minimum of 95% coverage is secured for Bassetlaw, Newark and Sherwood and Rushcliffe, in line with the agreement reached at the Economic Prosperity Committee.

## Report of the Corporate Director, Policy, Planning and Corporate Services

For any enquiries about this report please contact: Nicola M<sup>c</sup>Coy-Brown, 72580

### Constitutional Comments [CEH 18.03.15]

The recommendation falls within the remit of the Economic Development Committee by virtue of its terms of reference.

### Financial Comments [SES 18/03/15]

The financial implications are set out in the report.

## Background Papers and Published Documents

- Nottinghamshire Local Broadband Plan ([www.nottinghamshire.gov.uk/broadband](http://www.nottinghamshire.gov.uk/broadband))
- *Nottinghamshire Local Broadband Plan* – report to Full Council, 15-12-2011
- *Update on Nottinghamshire Local Broadband Plan* – report to Policy Committee, 20-06-2012
- *Response to Petitions presented to Economic Development Committee* – report to Economic Development Committee, 20-09-2012
- *Nottinghamshire Local Broadband Plan* – report to Full Council, 28-02-2013
- ERDF Funding Agreement, 14-05-2013
- Investing in Britain's future – Presented to Parliament by the Chief Secretary to the Treasury by Command of Her Majesty, 6-2013  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209279/PU15\\_24\\_IUK\\_new\\_template.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209279/PU15_24_IUK_new_template.pdf)
- *Superfast Broadband for Nottinghamshire* – report to Policy Committee 17-07-2013
- *Superfast Broadband for Nottinghamshire* – report to Economic Development Committee 09-07-2013
- UK Broadband Impact Study – Impact Report, SQW, 11-2013  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/257006/UK\\_Broadband\\_Impact\\_Study\\_-\\_Impact\\_Report\\_-\\_Nov\\_2013\\_-\\_Final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/257006/UK_Broadband_Impact_Study_-_Impact_Report_-_Nov_2013_-_Final.pdf)
- *Better Broadband for Nottinghamshire – Resource Requirements for Delivery Phase* – report to Economic Development Committee, 12-12-2013
- *Better Broadband for Nottinghamshire* – report to Economic Development Committee 14-01-2014
- Superfast Extension Programme indicative funding allocation letter – BDUK on behalf of the Department for Culture Media and Sports, 25-2-2014
- *Better Broadband for Nottinghamshire – Superfast Extension Programme* – report To Economic Development Committee, 11-03-2014
- *Better Broadband for Nottinghamshire – Phase One* – report to Economic Development Committee, 1-4-2014
- *Better Broadband for Nottinghamshire Superfast Extension Programme* – report to Policy Committee, 4-6-2014
- *Update on D2N2 Strategic Economic Plan and Local Growth Deal* – report to Economic Development Committee, 1-7-2014
- *Better Broadband for Nottinghamshire – Additional Staffing Resource* – report to Economic Development Committee, 16-09-2014
- *Better Broadband for Nottinghamshire – quarterly update on the rollout* – report to Economic Development Committee, 18-11-2014
- *Better Broadband for Nottinghamshire Contract 2* – report to Policy Committee, 07-01-2015
- *BDUK Market Test Pilots: Summary of initial findings from the feasibility phase document*, 09-02-2015 <https://www.gov.uk/government/publications/superfast-broadband-programme-phase-3>
- *Better Broadband for Nottinghamshire* – Quarterly Update, 03-03-2015

### **Electoral Division(s) and Member(s) Affected**

All