

REPORT OF CHAIR OF ECONOMIC DEVELOPMENT COMMITTEE

BETTER BROADBAND FOR NOTTINGHAMSHIRE SUPERFAST EXTENSION PROGRAMME

Purpose of the Report

1. The purpose of this report is to seek approval for the submission of a formal application to the Government for Superfast Extension Programme resources.

Information and Advice

Better Broadband for Nottinghamshire programme (BBfN)

2. Previous reports to Economic Development Committee, Policy Committee and Full Council have updated Members on the progress of the Better Broadband for Nottinghamshire programme (BBfN). The BBfN programme has now entered the delivery phase of activities and the phase one exchange locations were duly announced at 1 April 2014 Economic Development Committee meeting. Further information relating to fibre-enabled areas will be made available to all Members shortly, as agreed at Full Council on 15th May.

BDUK SUPERFAST EXTENSION PROGRAMME (SEP)

Overview

3. As reported to 11 March 2014 Economic Development Committee, in the 2013 Autumn Statement the Chancellor announced that an additional £250 million would be allocated by the Government towards initiatives that support the delivery of superfast broadband to over 95% of premises in the UK – clearly as an average, some locations will secure more, some less than the 95% national target. The Government's 2017 targets, as set out in *Investing in Britain's Future* (June 2013) are that every premise should be able to access broadband at speeds of at least 2 Mbps and that superfast broadband (defined as providing more than 24 Mbps) should be available to 95% of premises in each local authority area. This extends the reach of fibre-based broadband access across the UK from the 90% that will be delivered through the existing Broadband Delivery UK (BDUK) programme.
4. The Government has called the new fund the 'Superfast Extension Programme' (SEP). It will be managed through BDUK along similar lines to the existing programme.

Principles for funding allocations and objectives

5. On 25 February 2014, the Government announced county level allocations of the SEP. Nottinghamshire's funding allocation of £2.63 million [£1.83m/£0.8m respectively to the county/city] is essentially BDUK's best assessment (given the margin for error and the many uncertainties surrounding modelled data) of what is required to secure the government's national objective. The Nottingham City allocation was modelled to raise superfast coverage from 96.0% to 98.8% and for Nottinghamshire County from 94.3% to 96.8%, which would mean a total for the partnership from 94.8% to 97.3%.
6. Members' attention is drawn to the fact that the submission of a formal application to the Government for Superfast Extension Programme resources also requires the County Council to be able to evidence that match funding commitments are in place. The Government will match local resources on a £ for £ basis. Therefore, if a commitment to the full £2.63 million cannot be secured, the amount of Government funding available will decrease accordingly.
7. Every effort is currently being made to secure the full match funding allocation through the D2N2 Local Economic Partnership (LEP) Local Growth Deal and future European funding allocations to the area.
8. However, an under-write is required for the submission of the application by the 30th June deadline. Any under-write will recognise that should Nottingham City Council wish to proceed, it will need to under-write the £800,000 match required for the Nottingham City Council area.
9. The remaining £1.83 million will need to be under-written by the County Council and its Borough and District Council partners. The apportionment of this under-write cannot be considered at this stage as the extent of investment required in each Borough/District Council area is not known. The County Council will shortly be conducting a second 'Open Market Review' which will provide up-to-date and accurate figures in terms of the extent and scope of the Superfast Extension Programme.
10. The Open Market Review (OMR) requests information from telecoms providers on their commercial roll-out plans over the next three years and analyses this against likely broadband speed outcomes by postcode. This second OMR will include investment planned through the existing Better Broadband for Nottinghamshire programme (BBfN) and will therefore provide a detailed picture of where the Superfast Extension investment is required. Crucially, this time around the OMR will capture all known premises whose postcodes are attributed to a commercially funded street cabinet but are a very long way from their cabinet rendering speed uplifts negligible at best and non-existent at worst.
11. As indicated to in paragraph 9, a separate discussion between Nottinghamshire County Council and all of the Borough and District Councils will be convened once the outcomes of the OMR are known. This will inform the individual levels of under-write required.
12. This could mark the second major wave of the BBfN programme and complements the more innovative solutions to maximise commercial investment. In terms of how BDUK funding is utilised, it is essentially a matter for the BBfN Programme Delivery Board to determine. Essentially we are free to use the funding as we see fit in pursuit of the national target. The

Programme Delivery Board will need to manage the tensions and trade-offs this may entail, including managing how we might utilise match funding contributions from partners should the submission for the full match funding made to the D2N2 Local Enterprise Partnership be unsuccessful.

13. Notwithstanding any national target, BDUK would of course expect the Better Broadband for Nottinghamshire Programme to seek to maximise coverage and value for money through normal contract management.

The SEP challenge - Expected coverage outcomes

14. It is estimated that approximately 21,400 premises will not be able to obtain a service or connection capable of delivering superfast broadband access line speeds of 24 Mbps by the end of current activities (commercial and rural intervention). These will be the target premises for the new investment.

Procurement Approaches

15. There are three commercial and procurement options available to Nottinghamshire Council using the available funding:

- **Option 1:** Change control of the existing contract
- **Option 2:** New mini-competition for a Call Off Contract using the BDUK Broadband Framework contract
- **Option 3:** New open (OJEU) procurement supported by BDUK guidance and procurement materials - either a standalone procurement or establishing a local framework

16. Having sought legal advice, it is proposed that **Option 1 - Change control of the existing contract** will offer the quickest and lowest administration cost to extend coverage outcomes and will ensure maximum likelihood of outcomes remaining compliant with the UK's State aid National Broadband Scheme. The change control route will be subject to materiality limits and timeframes but importantly would ensure that the private sector supplier investment ratio of 31% to the combined public investment of 69% is maintained as illustrated in *Table 1*.

Table 1: Illustrative Superfast Extension Programme (SEP) Funding Table

Funding Partner	Amount	Investment ratio
BDUK	£2.63m	69%
Local Funding (i.e. D2N2 Local Growth Fund)	£2.63m	
Supplier	£2.36m	31%
SEP TOTAL	£7.62m	100%

Funding approval process

17. The approval process for allocating funding to projects is based on the following approach:

- **Stage 1 [25 February 2014]: Announcement of funding allocation**
Where BDUK confirmed the indicative funding allocation for each Local Body
- **Stage 2 [25 March 2014]: Expression of Interest (EOI)**

- Submission of an EOI to give BDUK an indication of the likely take-up of the funding and to provide a high level summary of the expected coverage outcome and funding. No further formal approval is necessary for projects to progress to the next stage of submitting a bid for funding.

- **Stage 3 [30 June 2014]: Formal request for funding: Addendum to Local Broadband Plan**

Confirm details for the scope of the project, the funding and the delivery route.

Note: as the County Council also has a Local Broadband Plan (LBP) all that is required would be to complete the Funding Request - effectively an addendum to the LBP.

18. The 11 March 2014 Economic Development Committee approved the submission of a non-committal Expression of Interest (EOI) to the Superfast Extension Programme for Nottinghamshire. The County Council has since been invited to submit a full application by 30 June 2014.

19. At its meeting on 16 May 2014 the City of Nottingham and Nottinghamshire Economic Prosperity Committee, which consists of the Leaders and Chief Executives of all Nottinghamshire local authorities, agreed to:

- continue to lobby D2N2 LEP to secure match funding resources through the Local Growth Deal;
- continue to explore alternative sources of funding and return to the Economic Prosperity Committee's next meeting on 20th June with a more detailed assessment of likely funding sources and risks in terms of any under-write

20. The County Council is currently at 'Stage 3' i.e. the final element of the approval process. It should be noted that submission of a funding application by the 30th June deadline will not form a binding commitment in terms of match funding or under-writing. A binding commitment would only be enacted at the point where a new contract with BT and BDUK is signed.

Other Options Considered

21. Do nothing: This option was discounted as Nottinghamshire would not benefit from an additional £4.19m of match funds to extend the reach of fibre-based broadband i.e. Government's £1.83m grant and the private sector supplier making a similar commitment in line with the existing investment ratio expected to be in the region of £2.36m.

Reasons for Recommendations

22. The reasons for recommendations are to enable the submission of an application to the Government's Superfast Extension Programme by the deadline of 30th June.

Statutory and Policy Implications

23. 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 below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

24. There will be financial implications as outlined in the body of this report associated with the mandatory capital match funding for the government's Superfast Extension Programme (SEP).

RECOMMENDATIONS

25. It is recommended that Committee:

- a. approve the submission of a formal application to the Government for Superfast Extension Programme resources.

Report of the Chairman of the Economic Development Committee Councillor Diana Meale

**For any enquiries about this report please contact:
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Constitutional Comments (NAB 16.05.14)

26. Policy Committee has authority to approve the recommendations set out in this report by virtue of its terms of reference.

Financial Comments (SEM 21/05/14)

27. The financial implications are set out in the report.

Background Papers and Published Documents

- Nottinghamshire Local Broadband Plan (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

- Superfast Broadband for Nottinghamshire – report to Policy Committee 17-07-2013
- Superfast Broadband for Nottinghamshire – report to Economic Development Committee 09-07-2013
- 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

Electoral Division(s) and Member(s) Affected

- All