



NOTTINGHAM CITY COUNCIL

**THE CITY OF NOTTINGHAM AND NOTTINGHAMSHIRE ECONOMIC PROSPERITY
COMMITTEE**

Date: Friday, 20 March 2015

Time: 10.30 am

Place: Carriage Court, Kelham Hall - Newark and Sherwood District Council, NG23
5QX

**Councillors are requested to attend the above meeting to transact the following
business**

Acting Corporate Director for Resources

Governance Officer: James Welbourn **Direct Dial:** 0115 8763288

AGENDA

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| 2 | DECLARATIONS OF INTEREST | |
| 3 | MINUTES
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| 4 | DEVOLUTION DEAL - UPDATE
Discussion item led by Chris Henning, Director of Economic
Development at Nottingham City Council | |
| 5 | COMBINED AUTHORITY - PROGRESS UPDATE
Verbal update by Andrew Muter, Chief Executive of Newark and
Sherwood District Council | |
| 6 | SKILLS HUB
Presentation by Allen Graham, Chief Executive of Rushcliffe Borough
Council | |

7	EPC GOVERNANCE ISSUES Glen O'Connell, Secretary to the Committee and Acting Corporate Director for Resources at Nottingham City Council	9 - 12
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9	EXCLUSION OF THE PUBLIC To consider excluding the public from the meeting during consideration of the remaining items in accordance with section 100a(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information	
10	BROADBAND - CONTRACT 2 BIDDER RESPONSE - EXEMPT APPENDICES	35 - 38

PLEASE NOTE THAT THERE IS A PRE-MEETING FOR CHIEF EXECUTIVES AND LEADERS ON 20 MARCH, IN CARRIAGE COURT, KELHAM HALL AT 9.30AM.

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE GOVERNANCE OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING.

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT WWW.NOTTINGHAMCITY.GOV.UK. INDIVIDUALS INTENDING TO RECORD THE MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.

NOTTINGHAM CITY COUNCIL

**THE CITY OF NOTTINGHAM AND NOTTINGHAMSHIRE ECONOMIC
PROSPERITY COMMITTEE**

**MINUTES of the meeting held at Exploration Room - Explore Manufacturing on
19 December 2014 from 10.37 - 11.55**

Membership

Present

Councillor Chris Baron
Councillor Roger Blaney
Councillor Graham Chapman (Chair)
Councillor John Clarke
Councillor Neil Clarke
Mayor Tony Egginton (Vice Chair)
Councillor Simon Greaves
Councillor Patrick Lally
Councillor Alan Rhodes

Absent

Councillor Milan Radulovic MBE

Colleagues, partners and others in attendance:

Allen Graham	- Chief Executive of Rushcliffe Borough Council
Chris Henning	- Nottingham City Council
Ruth Marlow	- Managing Director of Mansfield District Council
Philip Marshall	- Chief Executive of Ashfield District Council
Andrew Muter	- Chief Executive of Newark and Sherwood District Council
Glen O'Connell	- Nottingham City Council
John Robinson	- Chief Executive of Gedling Borough Council
James Schrodell	- Nottingham City Council
Neil Taylor	- Chief Executive of Bassetlaw District Council
James Welbourn	- Nottingham City Council
Laura Wilson	- Nottingham City Council
Martin Rigley	- Lindhurst Innovation and Chair of the N2 Skills and Employment Board
Celia Morris	- Nottinghamshire County Council
Philip Horsfield	- Broxtowe Borough Council

33 APOLOGIES FOR ABSENCE

Ian Curryer, Chief Executive of Nottingham City Council
Ruth Hyde OBE, Chief Executive of Broxtowe Borough Council
David Bishop, Nottingham City Council

34 DECLARATIONS OF INTERESTS

None.

35 MINUTES

The minutes of the meeting held on 26 September 2014 were confirmed and signed by the Chair.

36 N2 SKILLS AND EMPLOYMENT BOARD

Martin Rigley, Managing Director of Lindhurst Innovation and Chair of the N2 Skills and Employment Board, and Celia Morris of Nottinghamshire County Council, presented the item outlining the N2 Skills and Employment Board's plans to create a dynamic local economy via the Employment Framework 2015 - 2020. The following information was highlighted:

- (a) the biggest issue faced is a skills shortage. The Skills Board is employer led and covers most sectors. There is a need to engage small and large business and as a result the following four priorities have been established:
 - Developing an 'early years to engagement' approach which ensures that young people in Nottingham and Nottinghamshire are prepared for the world of work and the future needs of our economy;
 - Re-engaging unemployed and disengaged people through pathways that prepare and reintroduce them to the labour market;
 - Ensuring the local workforce develops the higher level skills needed to increase business productivity and competitiveness whilst enabling individuals to fulfil their potential;
 - Making the skills and employment support landscape simpler and more accessible for employers and individuals.
- (b) it is clear that existing good practice needs to be built upon, such as those exhibited at the Mansfield Learning Partnership, as it currently functions well. Young people should be encouraged to engage with the key sectors for the East Midlands in order to gain the right training provision, and increase graduate attraction and retention;
- (c) Gedling Borough Council is currently working on a project which gives vital information on Small and Medium Business Enterprises (SMEs) and supports apprenticeships;
- (d) currently 32% of graduates are retained in the East Midlands, however further work is required to understand the number of graduates each local authority area retains. Some areas experience less retention of young people, even though there are a large number of apprenticeships available. A benchmark may be the percentage of Oxbridge graduates which are retained in their local area, though it was acknowledged that Oxford and Cambridge are dissimilar to other Universities. Each constituent council could learn from the each other and this could form part of work of a Combined Authority (CA);

- (e) the formation of a CA would assist the N2 Skills and Employment Board, and the Board would be able to report back to the Economic Prosperity Committee or the CA. Discussions currently being held around the formation of a CA have included the work of the N2 Skills and Employment Board;
- (f) access to graduate programme funding has caused some concern amongst members as businesses in Ashfield and Mansfield cannot access certain funds because there are several different schemes available in the area, with little crossover. Engagement with an action plan may be needed to deal with administrative boundary issues;
- (g) of the eleven sector priorities identified in the Skills and Employment Framework 2015 – 2020, only ten are addressed in the section titled 'Developing workforce skills to maximise the potential of N2' (further work is ongoing regarding Retail and Leisure and Professional services). The priority focusing on transport and logistics is omitted altogether which needs addressing given that both Newark and Sherwood and Bassetlaw Councils contain logistics firms. Nottingham City Council are currently developing a transport hub and would therefore benefit from clarification here.

RESOLVED to

- (1) note the work of the N2 Skills and Employment Board and the N2 Skills and Employment Framework 2015 – 2020;**
- (2) share good practice and develop the subject of further education in greater depth;**
- (3) clarify how different bids are prioritised;**
- (4) schedule a further meeting of all constituent councils using the N2 employment skill partnerships.**

Reasons for decision

The N2 Skills and Employment Board is accountable to the Economic Prosperity Committee and the Board's work can inform the Committee when considering policy to support employment and skills in the region.

Other options considered

No other options were considered because the report is for information only.

37 COMBINED AUTHORITY

Andrew Muter, Chief Executive of Newark and Sherwood District Council presented the report on a Combined Authority (CA), highlighting the following information:

- (a) although prepared by all constituent authorities, the Governance Review is still in draft form and requires further clarification;

- (b) the Governance review sets out the regional context for the CA which is vital as the CA area's economy overlaps with other economic areas. Key sectors highlighted include logistics, and transportation;
- (c) a CA would cover the Nottingham and Nottinghamshire economic area. This area was traditionally a manufacturing focussed low-skilled economy with high levels of unemployment;
- (d) there are important overlapping areas in the wider region, including with the Sheffield City Region in the North, Derbyshire in the West, and Lincolnshire, Doncaster, and Leicestershire in the South and East;
- (e) within Nottinghamshire there is a high level of cohesion and a long history of collaboration, as demonstrated by joint working in the Economic Prosperity Committee. When moving forward with plans for a CA, there would need to be continued collaboration with the D2N2 LEP (Local Enterprise Partnership), and the relationship with the LEP would need to become stronger;
- (f) the formation of a CA has been discussed at several different meetings and these cumulative discussions have added up to a greater understanding of what a CA means. Singularly, local authorities can encourage growth, but a CA would provide a benefit to all authorities collectively. To aid this, the following needs to be recognised:
 - trust between all authorities would need to be maintained, and governance arrangements should not be made too complicated;
 - the message of working together should be conveyed to central Government;
 - the Governance Review and Scheme will need to be formally agreed by individual councils to establish a CA;
- (g) further amendments are expected to be made to the Governance Review; the documents will be taken through each individual council, and each council's formal decision will need to include the delegation to officers to make minor changes to the documents as they progress, where these changes do not effect substantive matters;
- (h) a consultation will run until early February. To help with publicising this, relationships with the media will need to be utilised. It is hoped that the response from the public will be a positive one. The following would need to be addressed in relation to this:
 - the public consultation will run before submission of a final report to Government in mid-February 2015;
 - a summary of the full report would be beneficial, to support the consultation as the report itself is very long;

- the letter to the public needs to be concise on what a CA is, but also needs to say what it is not;
- a questionnaire will be issued on the CA. The questionnaire will be available online, with a link from every council's webpage.

RESOLVED UNANIMOUSLY to

- (1) thank officers for their contributions in drafting all appropriate documents;**
- (2) develop a vision and long term ambitions for a Nottingham and Nottinghamshire Combined Authority;**
- (3) recommend to its Constituent Councils that they pursue a Combined Authority under the relevant provisions of the Local Democracy Economic Development and Construction Act 2009 (and other such provisions as are necessary to ensure the authority has a range of functions to match expectations);**
- (4) consider the governance review of the effectiveness and efficiency of transport and arrangements to promote economic development and regeneration within the geographic county, and to consult with the public and key stakeholders on proposals for a combined authority and its range of functions.**

Reasons for the decision

To ensure that a decision to establish a combined authority is underpinned by a statement of vision and shared ambition by all nine constituent authorities to the Economic Prosperity Committee.

Other options considered

Not to recommend that constituent authorities pursue a combined authority. This option was discounted as it was agreed that collective working would be more beneficial than working independently.

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**CITY OF NOTTINGHAM AND NOTTINGHAMSHIRE ECONOMIC
PROSPERITY COMMITTEE – 20 MARCH 2015**

Subject:	EPC Governance Issues		
Presenting authority / representative):	Glen O'Connell, Secretary to the Committee, Acting Corporate Director for Resources, Nottingham City Council		
Report author and contact details:	James Schrodell, Policy Officer, Nottingham City Council james.schrodell@nottinghamcity.gov.uk		
Key Decision <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Value of decision: Not applicable	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital		
Authorities affected: All	Date of consultation with relevant authorities: 27/02/15		
Summary of issues (including benefits to citizens/constituent authorities):			
<p>a) Formally, the term of the EPC's Chair and Vice-Chair ends in May 2015.</p> <p>b) The EPC's Terms of Reference allow for the position of Chair to rotate annually between the two N2 upper-tier authorities, and for the position of Vice-Chair to rotate annually between the seven districts.</p> <p>c) Currently, Cllr Chapman is Chair of both the EPC and the informal Notts Leaders' meetings.</p> <p>d) Mayor Egginton is the Vice-Chair of the EPC. Mayor Egginton plans to stand down in 2015.</p> <p>e) Nottingham City Council is the EPC's host authority – providing constitutional, policy and legal support services to the EPC.</p> <p>f) The N2 area is moving towards a Combined Authority (CA) style governance arrangement and current expectations are that a CA would replace the formal EPC.</p> <p>g) Should N2's CA proposals prove successful, an N2 CA may be established around December 2015. In effect, any EPC Chair for the coming year, will serve only part of that term, as their role as Chair will be brought to an end by the establishment of any N2 CA.</p> <p>h) Informal Notts Leaders' meetings may or may not continue once a CA is established – as Leaders prefer.</p> <p>i) The Local and General elections will take place on 7 May 2015.</p>			
Exempt information:			
None			
Recommendation(s):			
<p>a) That the EPC agrees who will perform its Chair and Vice-Chair roles for the coming part-year. The establishment of an N2 CA is likely to mean that the Chair and Vice-Chair serve in that role for only part of the coming year, as a new N2 CA would replace the EPC.</p>			

1 REASONS FOR RECOMMENDATIONS

- 1.1 Cllr Chapman's term as Chair of the EPC formally comes to an end in May 2015. The EPC's Terms of Reference (ToR) allow for the role of Chair to rotate annually between the City and the County as N2's two upper-tier authorities. The EPC will wish to agree the Chair for 2015.
- 1.2 Mayor Egginton's term as EPC Vice-Chair also ends in May 2015. The EPC's ToRs allow for the role of Vice-Chair to rotate annually between

N2's seven districts. Mayor Egginton is standing down in 2015. The EPC will wish to agree the Vice-Chair for 2015.

- 1.3 The N2 area is moving towards a Combined Authority (CA) style governance arrangement. Current expectations are that a CA would replace the formal EPC.
- 1.4 Should N2's CA proposals prove successful, an N2 CA may be established around December 2015. In effect, any EPC Chair and Vice-Chair for 2015, will serve only part of their term, as their role will be brought to an end by the establishment of any N2 CA in December.
- 1.5 Nottingham City Council has hosted the EPC since its establishment. To change this would require a change to the ToRs which would involve formal votes by each member Council.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 Notts Leaders' meetings currently occur on the same morning as EPC meetings and, with Cllr Chapman acting as Chair for both meetings, provide a degree of continuity between the two agendas and thereby also avoid duplication.
- 2.2 N2's CA proposals may lead to the establishment of an N2 CA as early as December 2015. The CA, set up to address Economic Development and Strategic Transport issues, would replace the existing EPC.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 None. The EPC must agree its Chair and Vice-Chair for the coming part-year.

4 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

- 4.1 The EPC's ToR suggest that the funding for the host authority's services are around £3,300 for each N2 authority.

5 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

- 5.1 N/A

6 SOCIAL VALUE CONSIDERATIONS

- 6.1 N/A

7 EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in any attached EIA.

8 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

8. None.

9 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

9.1 Constitution (Terms of Reference, Membership and Procedures) – City of Nottingham and Nottinghamshire Economic Prosperity Committee, 21 February 2014

10 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

10.1 None.

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**CITY OF NOTTINGHAM AND NOTTINGHAMSHIRE ECONOMIC
PROSPERITY COMMITTEE – 20 MARCH 2015**

Subject:	Broadband - Contract 2 Bidder Response		
Presenting authority / representative):	Nottinghamshire County Council / Matt Lockley, Economic Development Team Manager & Nicola M ^c Coy-Brown, Broadband Programme Manager		
Report author and contact details:	Matt Lockley & Nicola M ^c Coy-Brown ☎ 0115 977 2580 nicola.mccoybrown@nottscc.gov.uk		
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Subject to call-in	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Value of decision: £6.35 million			<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Authorities affected: Nottinghamshire local authorities		Date of consultation with relevant authorities: 31.10.2014	
Summary of issues (including benefits to citizens/constituent authorities):			
<p>a) The Better Broadband for Nottinghamshire (BBfN) Programme has been a prominent feature on Economic Prosperity Committee agendas.</p> <p>b) Following approval from the Economic Prosperity Committee at its 21 March 2014 meeting, an expression of interest was submitted to Broadband Delivery UK (BDUK) for the Phase 2 Superfast Extension Programme monies (hereafter referred to as contract 2).</p> <p>c) The full match funding package was met from the D2N2 Local Enterprise Partnership (LEP) - Local Growth fund.</p> <p>d) Following a comprehensive tender process using the BDUK framework, BT submitted its proposal to the County Council on 13 February 2015. 24,737 premises in the City and County were eligible for contract 2. The response from BT would provide a fibre broadband solution for 10,990 of these premises, some of which are in the Nottingham City area. This is inconsistent with the approach previously agreed by all partners for a focus on the areas of the County with the lowest coverage rates.</p> <p>e) The County Council has sought to mitigate this through negotiations with BT and BDUK and this report describes the outcome of those negotiations and proposes signing of the contracts with BT and BDUK for contract 2.</p>			
Exempt information:			
<p>Appendix 1 & 2 to the report is exempt from publication under paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because the report contains detailed financial information that is commercially sensitive.</p>			
Recommendation(s):			
<p>The Economic Prosperity Committee notes the broad content of the BT submission for contract 2 in Nottingham and Nottinghamshire and confirms its support for signing of the contract by Nottinghamshire County Council.</p>			

1 REASONS FOR RECOMMENDATIONS

- 1.1 Nottinghamshire County Council acts as the lead and accountable body for the Better Broadband for Nottinghamshire (BBfN) programme and recognises the significant financial and political input from partner authorities in the area. Securing support from all partners to contract 2 is considered essential due to the financial commitments involved and the need to ensure consistent and positive messaging about the programme to business and residential communities across the City and County.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

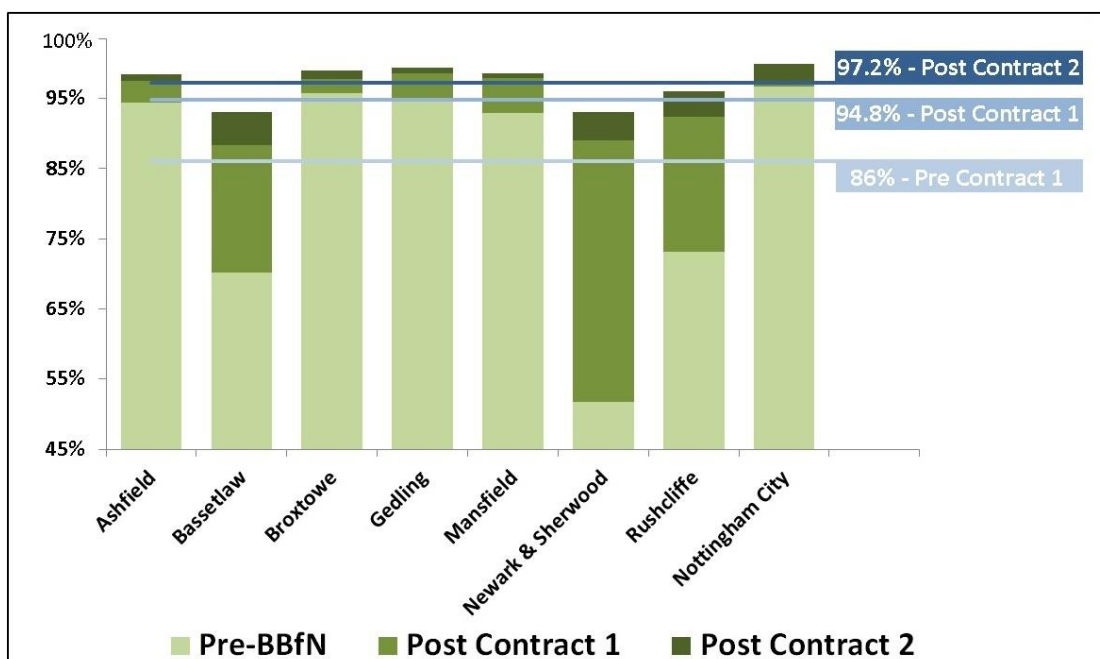
- 2.1 In October 2014, Nottinghamshire Chief Executives considered the potential for investment in contract 2 to be targeted at those Borough and District Council areas that do not achieve 95% coverage by the end of contract 1. These are Bassetlaw, Newark and Sherwood and Rushcliffe. The Chief Executives agreed that investment in contract 2 should focus on these areas, with an aspiration to achieve a minimum of 95% coverage across the whole of the area.
- 2.2 The ITT for BBfN contract 2 reflected this prioritisation.
- 2.3 The BT submission does not respond sufficiently to the priorities as mandated in the ITT for contract 2 as a significant proportion of the 'total homes passed' (THP – the standard performance measure) are in urban areas, particularly Nottingham City. The County Council has attempted to mitigate this through intensive negotiations with BT and BDUK in recent weeks.
- 2.4 Further clarification has been sought from BT about the cost of covering the urban THP in the Nottingham City area. 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.
- 2.5 The County Council has negotiated an additional £120,000 contribution to contract 2 from BDUK, which means that investment in Nottingham City 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.
- 2.6 Exempt, commercially sensitive attachments to this report from BT and BDUK explain how the investment model has been arrived at and why the premises in the Nottingham City area are essential for BT's 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 in 18 March 2013) and they remain the provider with the largest UK coverage range.

2.7 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:

- Bassetlaw – 93%
- Newark and Sherwood – 93%
- Rushcliffe – 96%

2.8 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.

2.9 Increases in access to fibre broadband by area, shown before Contract 1, after Contract and by the end of Contract 2:



2.8 Contract 2 is scheduled to start by the end of September 2016 and is expected to be completed by December 2018. However, BDUK and BT are understood to be working on compressing this timeline (nationally) to minimise the time lag between the end of contract 1 and the commencement of contract 2.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 Reject the BT tender submission

This option remains open but the County Council’s view is that this would mean losing investment of over £5.3 million in Nottingham and Nottinghamshire and an additional 11,000 premises not having access to fibre broadband.

3.2 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.

4 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

4.1 As noted above, the County Council and BDUK undertake rigorous value for money assessments and have compared the Nottinghamshire proposal with proposals for each of the other contract 2 areas across the country. BDUK have given clearance for the Nottinghamshire contract to be signed following their appraisal of the financial model.

5 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

5.1 Nottinghamshire County Council will be leading the extension of the existing contract (and/or any tendering) and will be acting as lead authority should the Superfast Extension Programme come to fruition.

5.3 There are no financial risks on any party until a contract is signed between BT, BDUK and the County Council.

6 SOCIAL VALUE CONSIDERATIONS

6.1 The County Council have utilised the BDUK Framework for the additional funds secured. This process considered the economic, environmental and social benefits of the approach to procurement.

7 EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in any attached EIA.

8 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

- BDUK Superfast Extension Programme Funding Guidance
- Letter from the Chair of the Economic Prosperity Committee to the D2N2 LEP CEO dated 6 June 2014

9 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

- Nottinghamshire County Council [Economic Development Committee Report](#) on the Superfast Extension Programme [11 March 2014]

- The City of Nottingham and Nottinghamshire [Economic Prosperity Committee Report](#) Better Broadband for Nottinghamshire (BBfN) Programme Update and Superfast Extension Programme (SEP) [21 March 2014]
- The City of Nottingham and Nottinghamshire [Economic Prosperity Committee Report](#) Broadband - Superfast Extension Programme [16 May 2014]
- Nottinghamshire County Council [Policy Committee Report](#) on the Superfast Extension Programme [4 June 2014]

10 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

Jayne Francis Ward, Corporate Director PPCS, Nottinghamshire County Council
Niall Mullin, BBfN Programme Officer, Nottinghamshire County Council

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Superfast Extension Programme

Funding Guidance

Document Location

This document is only valid on the day it was printed. The current version of this document can be found on the LARC Huddle site.

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8. Other requirements for funding

Annexes

BDUK SEP Model – Explanatory Notes

Document purpose

To set out the **context and explain the funding principles and allocations, procurement options, State aid considerations, what is required to access the funding, and the assurance process** for investment of the £250m announced in Spending Round 13 to extend the roll-out of superfast broadband infrastructure across the UK. **It also covers the other requirements that projects will need to meet in order to be eligible for funding.**

1 Overview

This guidance has been prepared as part of the BDUK Superfast Extension Programme (SEP) for investment of the £250m of funding announced in the June 2013 Spending Round, to extend the roll-out of superfast broadband infrastructure across the UK. This guidance sets out the strategic context, explains the funding allocations, the funding approval process, the procurement options, relevant State aid considerations, the assurance process and the other requirements that projects will need to meet in order to be eligible for funding. It also includes a description of the principles that the Government has applied to the allocation of funding, and the process that BDUK will follow to evaluate and approve funding proposals.

The guidance is intended for English Local Authorities and the Devolved Administrations in Scotland, Wales and Northern Ireland (collectively referred to in this guidance as Local Bodies). This guidance is not exhaustive; Local Authorities should also be aware of statutory duties which apply to them, for example, the public sector equalities duty which may be relevant in this context.

2 Strategic Context

Increasing the availability and take-up of superfast broadband is a key driver for enterprise and growth, and therefore remains a high priority for the Government. High speed broadband can have significant benefits for business productivity through, for example, supporting the development of new, more efficient, business models, enabling business process re-engineering to improve the efficiency and management of labour intensive jobs, and enabling increased international trade and collaborative innovation.

Faster broadband also helps to support the creation of new businesses, and easier access to market information helps to reduce barriers to entry. Continual improvements in broadband service offerings, for both business and consumer markets, stimulate innovation in business models, and this serves to improve overall productivity levels in the economy.

Outsourcing of processes and operations is easier for small businesses, which helps them focus on improving their core strengths while reducing operational costs. Superfast broadband can also enable time savings for tele-workers and support increased participation in the labour force.

Extending deployment of superfast broadband in under-served areas can also safeguard employment in areas which would otherwise be at an unfair disadvantage. Superfast broadband also supports inclusion in the digital economy for consumers in rural areas, allowing, for example, greater e-commerce and interaction with public services through digital communications.

To help deliver these benefits Government investment aims to reduce the costs for private investors where the commercial investment case is weak, allowing a commercially sustainable investment case to be made.

3 Funding and objectives

The Government's Rural Broadband Programme already has an aim of delivering availability of superfast broadband with speeds of more **than 24Mbps** to 90% of UK premises and ensuring universal availability of standard broadband with speeds of at least 2Mbps.

In the June 2013 Spending Round the Government announced a further £250m of funding to increase the availability of superfast broadband to 95% of premises in the UK by 2017. There is again a requirement for this funding to be matched by local or European public funding, giving a total of £500m of public funding or subsidy potentially available. All premises not currently expected to have access to superfast broadband through other commercial and publicly-funded programmes are potentially within scope, although in order to achieve 95% coverage it will be important that the most cost-effective investment opportunities are targeted.

Separately in the 2013 Autumn Statement the Government announced a £10m fund to explore with industry how to extend broadband coverage further in the most difficult to reach parts of the UK. Separate guidance for the £10m fund will be provided at the launch of the fund.

3.1.1 Principles for funding allocations

The approach to allocating the £250m funding assumes public subsidy is provided to reduce the costs for private investors allowing a commercially sustainable investment case to be made and is based on the following funding principles.

- i. Local match funding will be required for all allocations, using local or European funding sources
- ii. To ensure a fair allocation to the Devolved Administrations we have allocated on a share of population basis to each devolved nation
- iii. Funding will be made available to local authority areas in England using the partnership groupings adopted for the current Rural Broadband Programme, and on the basis of supporting investments which are not cost-effective to the private sector and to enable 95% of UK premises to have access to superfast broadband
- iv. BDUK will retain some unallocated funding to enable further funding to be provided to areas where there is a good economic case for doing so, subject to match funding being provided.
- v. If any funding is not taken up by Local Bodies, this will be available for redistribution to other areas where there is a good economic case for doing so, subject to match funding being provided.
- vi. BDUK will agree funding bilaterally with projects where current commercial deployment is uncertain.

3.1.2 Data model

BDUK has modelled the gap in superfast broadband services across the UK and has estimated the public subsidy required to reduce the costs for private investors allowing a commercially sustainable investment case to be made.

Details on the BDUK model for the Superfast Extension Programme can be found at Annex A. This also includes a link to the original data model explanatory notes. In summary, the data modelling has taken into account the following factors for the Superfast Extension Programme:

- i. Allocations are based on an assessment of the number of premises in each area which are likely to be without access to superfast broadband speeds following current private and publicly-funded roll-outs, and the estimated costs of a solution. The BDUK model does not use an average per-household figure because costs vary to reach each household.
- ii. BDUK has also taken into account conservative levels of private sector investment in further deployments, taking into account of the value of the anticipated customer base. Government funding will need to be matched by local funding (from local, European or other sources), to make investment attractive to the private sector.

4 Procurement Approaches

4.1.1 The commercial and procurement options available to Local Bodies for projects using the available funding are:

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

These options are explained below.

Note: Potential additional funding from the claw back mechanism has not been taken into account in the allocation of funds, but BDUK recognises that this may provide an opportunity to further extend coverage at a later date when funding from the claw back mechanism becomes available. Projects that use claw back funding to further extend coverage will not have their SEP allocations adjusted.

4.1.2 Change control of an existing contract

Change control will be subject to materiality limits and timeframes. However, where the additional funding is within these limits, this route will offer the quickest and lowest administration cost to extend coverage outcomes. Change Control and Materiality Guidance can be found on the Local Authority Huddle site under Rural Implementation - Files – General Folders – Guidance.

4.1.3 New framework Call Off

Local Bodies wishing to undertake a procurement using the 'gap funding' model may undertake a mini-competition using the Broadband Framework that has been agreed by BDUK with BT and Fujitsu. The Broadband Framework is currently set to expire in June 2014. Therefore, unless the Framework is extended, any additional monies would need to be identified and contracted, although not spent, before this time. BDUK is consulting with the European Commission before taking a decision about extending the Framework and will keep Local Bodies informed of the outcome.

New procurement using BDUK guidance and procurement materials

Local Bodies may decide to undertake a new procurement. Existing BDUK commercial documentation (requirements, framework terms, template contract, evaluation processes etc.) and example documents from recent Local Body procurements will be updated and made available to support local procurements if required.

A number of variations of this process are envisaged:

- i. A relatively simple OJEU procurement using the open procedure to procure additional superfast coverage;
- ii. Establish a local framework that can be used to call-off the local requirements as in (i) above but which could also remain in place for both further call-off and for neighbouring projects to use at a later date. The advantage of this approach is that only the first procurement is a full procurement. Subsequent projects would be able to progress more quickly with a limited supplier engagement required.
- iii. A group of Local Bodies could establish a regional framework, thereby allowing for several call-offs from a number of Local Bodies and demonstrating a larger opportunity to the market place.

While each of these variations represents open market procurement, there will be the opportunity to utilise the existing BDUK documentation or documents from recent Local Body procurements as a starting point in the development of tender documents. These would not be mandatory, but Local Bodies may wish to consider using them as this may result both in time and cost efficiencies as well as ensuring maximum likelihood of outcomes remaining compliant with the UK's State aid National Broadband Scheme.

5 State aid considerations

Any public sector intervention within the broadband market place needs to be considered under EU Broadband Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks 2013 (Broadband Guidelines)¹. The European Commission has approved the National Broadband Scheme (NBS) for the UK (SA33671)². This allows projects which comply with the terms of the Scheme to go ahead following clearance by BDUK, without needing further approval from the European Commission.

5.1.1 Key points to note about the NBS are set out below:-

1. The NBS is an 'umbrella scheme' for the UK that enables Local Bodies and other bodies proposing to use State aid for broadband projects to seek approval under the Scheme.
2. Approvals under the Scheme are provided via the BDUK National Competency Centre (NCC).
3. The current approval expires in June 2015. Projects seeking approval under the NBS need to be approved by 30 June 2015 and procurement therefore needs to be complete before this date (although implementation can continue beyond that date).
4. The current approval imposes certain minimum requirements on any procured solution and these include:
 - a. Enabling step change in capability with headline speeds of 30 Mbps for Next Generation Access (NGA) solutions.
 - b. Significant investment in passive infrastructure and doubling speeds.
 - c. Seek to make use of existing assets.

¹

² http://ec.europa.eu/competition/state_aid/cases/243212/243212_1387832_172_1.pdf

- d. Provision of wholesale access to infrastructure.
- e. Benchmarked prices.
- f. A claw back mechanism.
5. Urban only interventions are not permitted, given the view of the European Commission that competitive conditions in urban areas are different to rural areas.

To gain approval within the NBS, projects utilising BDUK funding (as well as other sources of public funding) will need to be compatible with the requirements of the Scheme. More detailed guidance on the application and use of the NBS can be found at <https://www.gov.uk/broadband-delivery-uk#state-aid>.

It should be noted that the National Broadband Scheme expires on 30 June 2015 and BDUK will be entering into dialogue with the European Commission regarding a potential extension of the NBS or alternative arrangements. Whilst it is expected that these succession arrangements will be on a similar basis to that of the NBS, it should not be assumed that this is the case.

6 Funding approval process

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

6.1.1 Stage 1: Announcement of funding allocation

BDUK will confirm the indicative funding allocation for each Local Body, as announced by DCMS.

6.1.2 Stage 2: Expression of Interest (EOI)

Local Bodies wishing to take up their indicative funding are asked to respond to BDUK using the Expression of Interest (EOI) template. The purpose of the EOI is to give BDUK an indication of the likely take-up of the funding and to provide a high level summary of the expected coverage outcomes and funding for each project. If Local Bodies are clear about their proposed approach and have funding certainty they may submit the EOI and Request for Funding (Stage 4) together.

The EOI template requests information on the following:

- a. Details of the Local Bodies involved
- b. Current expected coverage in the project area
- c. Overview of plans to extend coverage and procurement route
- d. Funding requirement, including if projects require a lower amount in the absence of match or a larger amount if greater coverage were possible and more match would be available. (*This will help BDUK to gauge future demand.*) Local Bodies are also asked to identify anticipated sources of match funding.
- e. Governance (existing projects need to confirm current arrangements will remain in place)
- f. Confirmation of proposed State aid clearance approach

Note: only one EOI is required for each project (i.e. where one or more Local Authorities have a single project only one EOI is required).

6.1.3 Stage 3: EOI approval process

BDUK will review each EOI to confirm that the requested funding is in line with the indicative allocation and that match funding is anticipated, and to ensure that the proposed deployment routes are likely to deliver value for money and are State aid compliant.

Once the EOI has been approved, BDUK will issue an approval letter to allow the project to submit a Funding Request.

6.1.4 Stage 4: Formal request for funding: Addendum to Local Broadband Plan

The purpose of the formal request for funding is for the Local Body to confirm details for the scope of their project(s) as well as the funding and the delivery route. For Local Bodies which already have a Local Broadband Plan (LBP) all that is required would be to complete this Funding Request. The Funding Request is effectively an addendum to the LBP. Local Bodies which do not have a Local Broadband Plan in place will be required to produce one – see: <https://www.gov.uk/government/publications/bduk-broadband-delivery-project> for further guidance.

The Funding Request template seeks confirmation of the following:

- a. The additional superfast coverage that the project will deliver
 - b. Delivery route and anticipated timescales
 - c. Total funding requirement (capital expenditure for projected coverage), confirmation and certainty of funding sources.
 - d. Project team resources
- Proposed variations to the Call Off Contract terms

Local Bodies will be required to submit a separate Funding Request for each procurement route and should indicate in the EOI each of the procurement routes that are to be adopted.

All Funding Requests will need to be approved and be signed by the Senior Responsible Officer or Chief Executive.

6.1.5 Stage 5: Funding approval process

BDUK will review each Funding Request to confirm that the project proposals are in line with the SEP objectives and that they are likely to be deliverable and State aid compliant.

6.1.6 Timescales

Local Bodies have until **25 March 2014** to submit an Expression of Interest to confirm intention to take up their allocation and indicate sources of local match funding.

Local Bodies will have until **30 June 2014** to submit their initial Funding Request.

BDUK will confirm to the Local Body approval of the Expression of Interest and Funding Request within one month of receipt.

6.1.7 Assurance process

For new projects a Local Broadband Plan will need to accompany the Funding Request and will be subject to the full BDUK assurance process.

For existing projects proposing to undertake new call-offs or new procurements, once the Funding Request has been received BDUK will assess the proposal at Checkpoint B0 ('Agree Ready to Commence Call-off Process'). BDUK will not undertake detailed assessment of criteria which have previously been assured, such as governance arrangements, provided these are not changed substantively for projects using the additional funding. Depending on the overall volume of projects, BDUK will need to work with suppliers and Local Bodies from this point on to ensure the procurement process is managed as efficiently as possible. The procurement process (including associated State aid obligations) will be subject to further BDUK approval checkpoints in the same way as for the Rural Broadband Programme, including the BDUK value for money criteria assessment.

For projects seeking to deploy the additional funding through change control, following approval of the Funding Request the Local Body will need to initiate the change request process with their existing supplier and then seek formal BDUK agreement to the change through a Checkpoint E approval ('Agree Change Request').

For projects seeking to deploy the additional funding through a new OJEU procurement, following approval of the Funding Request, the Local Body will need to follow the BDUK Assurance guidelines for Non-Framework projects.

The relevant guidance for the assurance process up to contract signature can be found on the BDUK Local Authority Resource Centre Huddle site under BDUK Documents, Current Documents, Assurance, BDUK Checkpoint v2 4 Requirements. BDUK Project Directors can provide further advice.

6.1.8 Commitment of funding

Funding for English Local Authorities will be formally committed through a Grant Agreement between BDUK and the Local Authority once procurement is complete and State aid compliance is confirmed. For projects which already have a Grant Agreement this may be achieved through an amendment to the existing Agreement. Funding will be transferred upon evidenced achievement of agreed milestones, in the same way as for the Rural Broadband Programme.

Funding for the Devolved Administrations will be provided through a funding transfer with a Funding Transfer Agreement based on the model used for the Rural Broadband Programme.

7 Completing the Expression of Interest and Funding Request forms

It is imperative that both the EOI and Funding Request forms are completed with all the requested information to allow BDUK accelerate the approval process. Both forms will need to be submitted electronically via the following links:

EOI - https://dcms.eu.qualtrics.com/SE/?SID=SV_cSUXh5zgZl4oZkV

Funding request - https://dcms.eu.qualtrics.com/SE/?SID=SV_2ocFvxaVmnxeiWh

7.1 Completing the EOI (Part A)

7.1.1 Section 1 – General

Please provide details of other Local Bodies that form part of your project.

7.1.2 Section 2 – Overview of current expected coverage outcomes

It will be helpful if local projects provide the number of premises expected in each of the categories listed in the template. It is understood that some elements of this activity are subject to change (e.g. commercial delivery) but please provide the latest information that is available.

7.1.3 Section 3 – Overview of plans to extend coverage and procurement

BDUK would like confirmation of how each project plans to extend coverage. It would be extremely helpful to understand if this includes working with partnerships with neighbouring projects, particularly for a local procurement approach.

Local Bodies should also confirm the level of supplier engagement that has taken place with existing and new suppliers as well as the total anticipated funding (capex) and timescales they have been provided with.

BDUK also requests confirmation on what timescales your project is working to.

7.1.4 Section 4 – Funding

Local Bodies should confirm the extent to which they propose to take up the indicative BDUK funding allocation and their ability to provide match funding, and whether they are seeking any additional funding. However, it should be noted that BDUK cannot commit to automatically altering the announced allocations.

In addition an explanation of the likely funding sources and the certainty of the match funding should be indicated. Please note, however, that absolute certainty is not required before submitting the EOI, but will be required for a Funding Request, before BDUK agrees to pre-procurement activity going ahead.

7.1.5 Section 5 – Governance

BDUK requests that each Local Body confirms the names of the SRO and also the key posts within the project teams. Local Bodies will also need to confirm the project governance including, for existing BDUK projects, whether it is as previously confirmed to BDUK.

7.1.6 Section 6 – State aid

Further details can be found in Section 5 of this document. Whichever sourcing strategy is used, it is imperative that the project is State aid compatible. Full consideration must be given to State aid to ensure that all State aid requirements are met. Before commencing any SEP mapping, please contact the NCC for further advice and guidance. If you have any other questions please do contact the NCC.

7.2 Completing the Funding Request (Part B)

7.2.1 Section 1 – General

Please provide details of other Local Bodies that form part of your project.

7.2.2 Section 2 – Scope

This section needs to provide an overview of the project that the Funding Request will support. The project team will need to provide details of the targeted areas and targeted number of premises as well as the average cost per premise.

If the scope of the project covers a number of different procurement routes, the anticipated average cost per premise for each procurement route should be provided.

In addition, Local Bodies will need to provide details of any variations they may be planning to the terms in the Call Off Contract.

7.2.3 Section 3 – Delivery route/method

This section will need to detail the procurement route, target contract signature date and also the target date for the end of deployment.

7.2.4 Section 4 - Funding

BDUK will require confirmation that the agreed BDUK funding will be matched, and that the sources of local match funding to deliver all projects have been committed. Should local funding not be committed at the Funding Request stage, BDUK will need reassurance on commitment of the local funds before allowing any projects to progress to procurement.

7.2.5 Section 5 – Resources

Local Bodies will need to confirm what resources are in place and if they are not in place when they will be in place, to allow BDUK to manage the overall procurement process.

7.2.6 Section 6 – Approval

The Funding Request will need to be approved and be signed by the Senior Responsible Officer or Chief Executive. Local Bodies should allow additional time for any internal governance (i.e. Cabinet approvals) of the funding required for the project.

8 Other requirements for funding

The Superfast Extension Programme Grant Agreements or Funding Transfer Agreements will include conditions relating to publicity and transparency. All authorities, both national and local, will be required to adhere to these conditions as follows.

8.1.1 Publicity

When national and local authorities make announcements about projects that are in receipt of funding from the BDUK Superfast Extension Programme, they shall provide the opportunity for UK Government to include a Ministerial or other quotes in press releases and appropriate acknowledgement be given of the Government support in any interviews, speeches etc. Where funding amounts from BT or local authority/DA has been specified, UK Government contribution must also be included.

The DCMS / BDUK Superfast Britain logo shall be used on project websites and publications., Details of the branding protocol can be found on the LARC huddle site at: Rural Implementation, General Folders, Guidance, Superfast Britain Strapline Guidelines. There is also a general media protocol at: Documents, Current Documents, Publicity - DCMS Logos, Media Protocol, Media protocol 020913.

8.1.2 Mapping

Published plans help all stakeholders to gain an understanding of the expected coverage of the county level projects and potentially propose complementary local broadband projects.

Local Bodies must commit to publish information on their roll-out plans in line with the guidance provided by BDUK on 11 February 2014 on the LARC Huddle site

8.1.3 Universal Service Commitment

The Government remains committed to delivering a 2Mbps service for those areas that are unlikely to receive superfast broadband under commercial and publicly-funded roll-out plans. We expect that the additional funding available under the superfast extension programme may reduce the need for 2Mbps infill in some areas. Local bodies will need to keep their plans for delivering the commitment under review and discuss with BDUK as required.

BDUK SEP Model – Explanatory Notes

1. Model Summary

The Superfast Extension Programme Model, ‘SEP Model’, is a detailed bottom-up geographic model that BDUK has developed to allow timely decisions and announcements on the Government’s superfast broadband policy by:

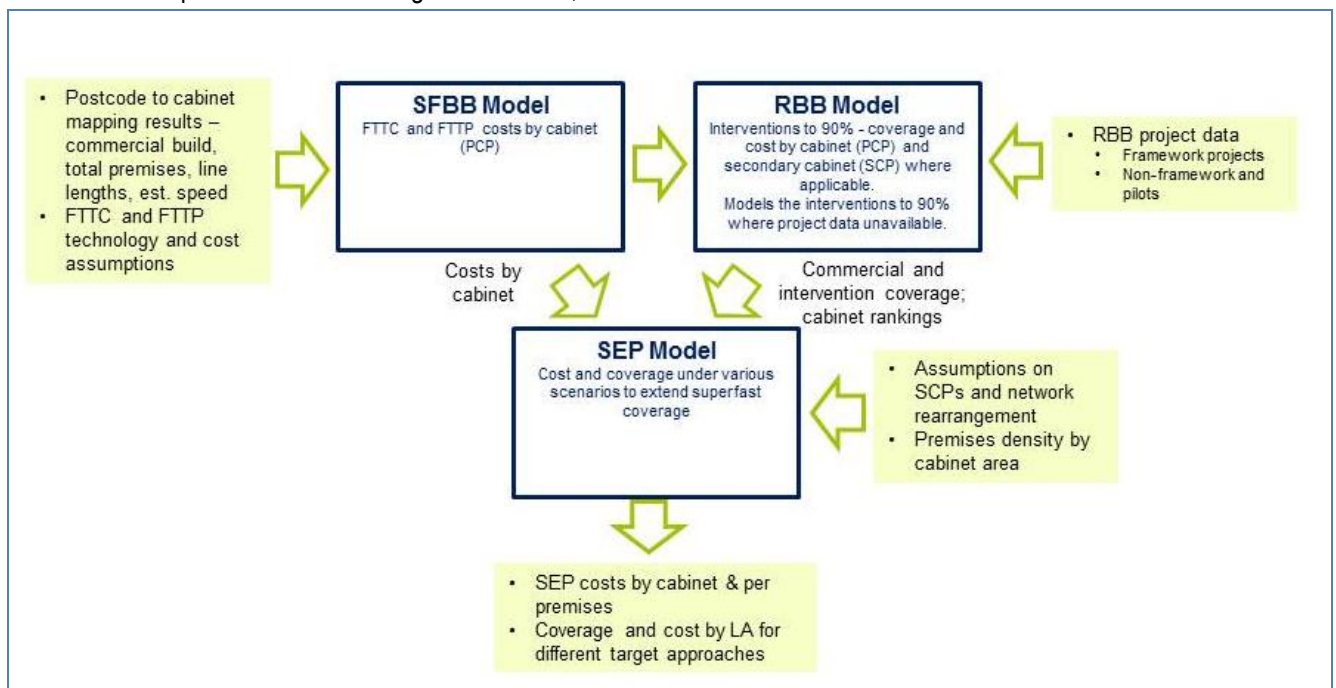
- **Modelling** which premises will not have superfast broadband once the commercial infrastructure programmes and the current BDUK Rural Broadband Projects and other interventions are complete. To do this, BDUK analyses approximately 2.5m records of input data on a quarterly basis.
- **Estimating the cost** to extend superfast coverage under various scenarios.
- **Allocating indicative funding** to Local Bodies based on the amount of gap-funding we think each area will require.

The SEP model builds upon the cost models that BDUK has previously constructed to support the Rural Broadband programme. These estimate the costs, revenues and therefore expected investment gap required by the private sector to meet the programme requirements under a range of scenarios. Full details on how these previous data model works can be found in the data model explanatory notes at: <http://old.culture.gov.uk/images/publications/BDUK-Data-Model-Explanatory-Notes.pdf>

2. Modelling scope

There are three key elements to the model, as illustrated in the diagram below:

- The Superfast broadband cost model, ‘SFBB Model’
- Rural Broadband Programme model, ‘RBB Model’
- The Superfast Extension Programme Model, ‘SEP Model’.



3. Modelling approach

The models develop Fibre to the Cabinet (FTTC) and Fibre to the Premises (FTTP) costs as a useful proxy of financial need to achieve BDUK's objectives. BDUK does not presume that FTTC or FTTP will always be the best NGA solution – others may be more cost effective and Local Bodies are responsible for sourcing choices.

4. SFBB Model overview

The superfast broadband model estimates the cost to build FTTC and FTTP on the following basis:

- **Fibre to the cabinet (FTTC)** to each existing BT and KCom cabinet in the UK. The model also estimates costs for new cabinets to reach Exchange Only lines and long lines.
- **Fibre to the premises (FTTP)** served from each existing BT and KCom cabinet in the UK, and for the Exchange Only premises. Where the Exchange-to-cabinet-to-premises route length is excessive in relation to the straight line distance from Exchange-to-premises, assumptions are applied for the route that would typically be taken in practice.

The model uses results from BDUK's geographic (GIS) modelling. The GIS model combines data on postcode and cabinet locations with models on the variation of VDSL speed with distance from the cabinet, data on which cabinet(s) the premises in each postcode are connected to, and information on the coverage of non FTTx commercial NGA networks, to create a database of line length, estimated VDSL speed and NGA infrastructure status at sub-postcode level.

Reference cost data is used to estimate the capital cost of upgrading cabinets to deliver superfast broadband services and then uses a reference take-up rate to estimate customer revenues for each cabinet.

5. RBB Model overview

The RBB Model is used to estimate the coverage of the current Rural Broadband Programme. It uses data on the announced and planned commercial infrastructure coverage, line speed data from the BDUK GIS modelling, along with real and modelled data from the BDUK-supported and other interventions, to estimate which premises will remain unserved after the RBB programme is complete.

Where project data is unavailable, the modelling approach to estimating the project coverage is to upgrade non-commercial cabinets in Local Authority areas until a floor threshold for superfast coverage (e.g. 90% of premises, or the contracted coverage figure) has been reached. Premises that are expected to receive less than 24Mbit/s, after the above targets are met are input into the SEP Model.

6. SEP Model overview

The SEP Model takes the SFBB model and RBB model outputs and estimates the cost and combined coverage for various local floor targets to extend superfast coverage.

The SEP model adopts a similar approach to the RBB Model - SEP project coverage is estimated by upgrading non-commercial and non-RBB cabinets in Local Authority areas until a floor threshold for superfast coverage has been reached, or where enabling cabinets is no longer an effective means to increase coverage.

The order in which cabinets are enabled is determined by the modelled cost per premises passed, including only the premises that are modelled to receive minimum 24 Mbit/s in this calculation.

7. Inputs

Together, the three models outlined above use a number of sources including:

- Ordnance Survey geographic information such as Code Point;
- Published BT FTTx exchange upgrade announcements;
- Commercially confidential information from BT Openreach such as postcodes served by different cabinets, and cabinet upgrades;
- Similar information from KCOM in and near Hull;
- Information from Virgin Media on cable coverage by postcode;
- Information from the BDUK-supported projects and non-framework projects on proposed coverage.

Alternative top-down BDUK estimates of bid coverage exist from aggregate information for each project on intervention areas and so implicitly on existing and planned commercial coverage. These two sets of estimates have been compared to quality assure the bottom-up SEP model: the majority of projects had superfast baseline differences of less than 1%, as did the nationwide aggregate.

8. Cost calculations

Costs are derived for each existing BT or KCom cabinet, and subsequently per NGA white premises, using the above inputs in addition to the reference cost data for unit costs relating to each element the network. The total cost per cabinet varies widely across the BT network, and is function of

- the number of premises served,;
- the type of civil engineering work required - for example digging road, footpath or grass;
- the take up; and
- the distance between exchange and cabinet.

Costs are also modelled for installing new cabinets, which extends superfast to areas where the connections from premises to cabinet are currently too long, and where premises are not currently connected to a cabinet.

The least viable premises tend to be located in remote rural areas, but rurality is not a consistent indicator of high FTTC cost – the key factors are the number of premises served by the cabinet and its distance from the exchange. The cost per premises served by minimum 24 Mbit/s is the key measure used in the coverage estimates and funding calculations, and is influenced by the distance between the cabinet and the premises it serves.

Commercial investment potential is subtracted from the capital investment cost for each cabinet to estimate the public subsidy requirement per cabinet, which when aggregated for any given area can be halved to provide the BDUK allocation.

9. Funding allocation calculations

The cost per premises and the total premises covered with minimum 24 Mbit/s NGA for each cabinet area are used to rank each cabinet. These rankings are used to determine whether the cabinet would be enabled under various scenarios for target coverage. The targets can be set at a Local Authority level, at National level or at a UK level.

The model also combines scenarios, for example by attempting to extend superfast coverage to minimum 90% in each Local Authority before using the remaining funding to extend superfast as far as possible across the UK on a 'Next Best Value' basis.

BDUK estimates that approximately 4% of UK premises are not suitable for a FTTC solution, even after allowance is made for installing new cabinets and some network reconfigurations. The model can apply a maximum cost per premises along with a minimum number of premises served by the cabinet to identify these premises.

Where FTTC is identified as unsuitable, the FTTP cost is substituted. This is relevant where costs have been derived for imposing a 90% floor target on each Local Authority area, because in some areas the model suggests it is not possible to reach this target using FTTC alone.

For floor targets beyond 90%, the model prioritises coverage in other areas that remain cost effective for FTTC. The model is agnostic on location on cabinet location and ranks cabinets in order from lowest subsidy requirement to highest, until national coverage level required is reached; the order of cabinets for upgrade is therefore wide spread across the UK. This can be varied by entering specific rules to vary the outcome, for example to arrive at a more equitable spread of funding.

10. Limitations of the modelling

The model will not give precise details of what will actually happen in all respects of NGA broadband roll out in the future, and no model would be expected to achieve this. So long as the weaknesses are understood and accepted it remains a useful tool. The main limitations are in the uncertainty over the baseline for SEP.

This will be an issue because of the timing of SEP in relation to the current programmes. There will be variations in both the commercial roll out and also in the Rural Broadband programme roll out.

The BDUK funding allocation model relies on a number of inputs that are volatile. We should expect the 'true' position to continue changing after any announcement. The total premises that have been covered by existing programmes will not be finalised until the last phase of each Local Body is surveyed and designed but the confidence level should increase as the design and installation gets completed. To have a completely firm basis for allocating funding we would need to wait until all current superfast broadband delivery is complete, but clearly that would cause excessive delay to additional deployment. It is therefore inevitable that there will be a degree of uncertainty in the estimated required funding at this stage.

David Ralph
Chief Executive
D2N2
8 Experian Way
Nottingham
NG2 1EP

Dear David

I am writing on behalf of the City of Nottingham and Nottinghamshire Economic Prosperity Committee to bring to your attention a current match funding issue relating to broadband investment.

The project to deliver superfast broadband into Nottingham and Nottinghamshire is now on stream and is intended to have far reaching effects for businesses, particularly those situated in remote areas where growth has been constrained. With 94.8% coverage planned for delivery in the next few years, the area will be well ahead of the game.

Despite good progress being made, uneven access to superfast broadband throughout the City and the County will remain after the existing project (Phase 1) ends in 2016. In an attempt to close this gap, the Government recently announced an indicative allocation of £2.63m as part of Phase 2 of the programme. Government have stipulated that an equal amount to their grant needs to be sourced locally. However, as you are aware from your attendance at recent Economic Prosperity Committee meetings, at a time of significant pressure on Local Government finances, raising the necessary local match funding through existing budgets is proving to be a challenge.

The Government grant allocation is time-bound requiring funds to be spent by 2017. I therefore urge you to continue to push Government to allow such investment in broadband within the D2N2 Growth Deal to ensure that a modern communications infrastructure can be brought to parts of the area not currently reached by the private sector.

Yours sincerely,

Councillor Graham Chapman
Chair, The City of Nottingham and Nottinghamshire Economic Prosperity
Committee

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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