

Digital Innovation and Efficiency Committee

Report title:	Better Broadband for Norfolk Programme update
Date of meeting:	14 November 2018
Responsible Chief Officer:	Tom McCabe - Executive Director, Community and Environmental Services
Strategic impact The Better Broadband for Norfolk (BBfN) Programme is working to extend access to Superfast (24Mbps+) broadband across Norfolk, beyond the reach of commercially funded deployments. Since the first BBfN cabinet was implemented in July 2013 access to Superfast broadband in Norfolk has increased from 42% to 92% of properties. Coverage is expected to reach 95%, by the completion of the current rollout at the end March 2020.	

Executive Summary

This paper describes progress to date for the current procurement which supports the council's stated aim to achieve access to Superfast broadband for 100% of Norfolk properties, including:

- The outcome of the State aid consultation which has identified 22,801 properties within the scope of the new procurement
- The activities and timescales associated with the procurement which aims to complete during February 2019.
- Performance of the current Better Broadband for Norfolk contract

Recommendations:

Members are asked to review:

- 1. Details regarding the current procurement described in section 1**
- 2. Progress of the current rollout described in section 2**

1. Proposal

There are two opportunities to expand NGA broadband coverage across Norfolk:

- Further rebates based on higher than expected levels of Take-up, available via protection against over-subsidy contained within the initial and current BBfN contracts
- The DEFRA Rural Broadband Grant, £30 million national fund. The fund is targeted at establishing Next Generation Access (NGA) infrastructure for business properties in the final 5% where there is a defined business need to enable economic growth. Norfolk's bid was submitted 19th March 2018. DEFRA raised clarification questions on 24th July, responses were submitted 25th July 2018. A decision is expected by December 2018.

In order to invest further in broadband infrastructure for Norfolk, the current procurement is required. This was preceded by a mandatory public consultation in accordance with the European Union State Aid decision 2016. The State aid process is complete and involved two stages:

- Open Market Review
- State aid consultation

1.1. Open Market Review (OMR)

The overall process began on 27th November 2017. This first stage enabled infrastructure suppliers to confirm those properties that each supplier's infrastructure already reaches and the speed available at each property, along with any network extensions that are planned within the next 3 years via commercially funded plans.

1.2. State aid consultation

The State aid consultation was based on aggregated infrastructure suppliers' OMR responses at postcode level.

Any infrastructure provider or member of the public could have responded to the public State aid consultation, however its main purpose was for current and potential infrastructure suppliers to provide further information on the extent of current and planned coverage which could have changed the State aid coverage status of individual properties.

The State aid processes refined the State aid status of each Norfolk property via each iteration. It allocated each Norfolk property with one of the following definitions:

- GREY, if there is only one broadband infrastructure operator providing NGA infrastructure, current or planned (with speeds greater than 30Mbps)
- BLACK, if there are at least two broadband infrastructure operators providing NGA infrastructure, current or planned (with speeds greater than 30Mbps)
- BLUE - Under Review (BLUE), either:
 - o Properties already have access to broadband infrastructure capable of a download speed of 24-30Mbps

- New properties that operators do not currently have details for
- Properties where a supplier has indicated it has planned commercial coverage to implement NGA capable broadband infrastructure. However, those plans are considered 'At Risk'
- WHITE, a property does not have access to NGA broadband infrastructure and none is planned.

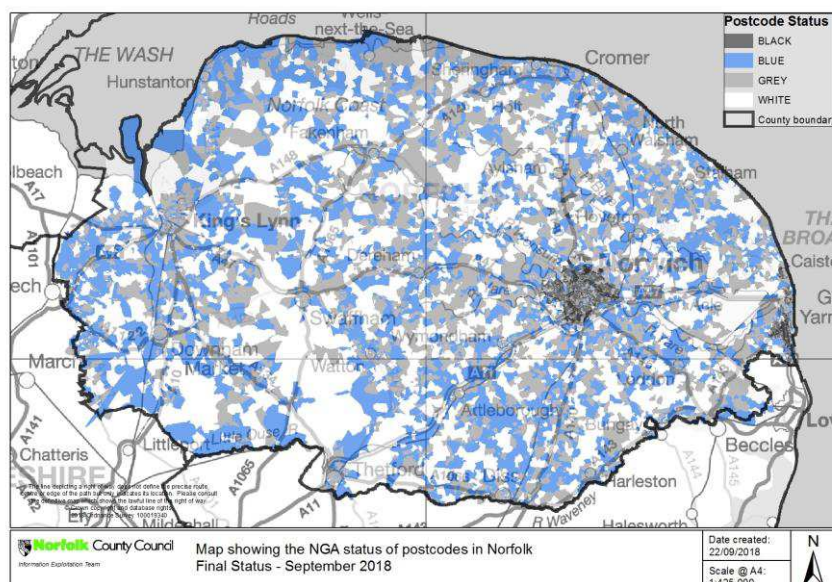
1.2.1. State aid consultation outcome

The State aid process aggregated information from existing and potential infrastructure providers. The outcome of the State aid consultation was to identify:

- 469,901 properties within 27,161 postcode areas across Norfolk
- 324,015 State aid GREY properties with access to a download speed of 30Mbps+ from one infrastructure provider
- A further 102,071 State aid BLACK properties with access to a download speed of 30Mbps+ from two or more infrastructure providers
- 10,145 State aid BLUE properties with access to existing speeds of 24-30 Mbps
- 9,126 State aid BLUE properties which infrastructure providers do not have records for. These are new build properties and are likely to already be covered
- 1,743 State aid BLUE properties that are within one or more infrastructure providers commercial deployment plans, however these plans are considered 'At risk'
- There are 22,801 Norfolk properties where there is no existing or planned infrastructure capable of providing access to a broadband download speed of 24Mbps+. These properties are within the scope of the third Better Broadband for Norfolk procurement

Note: State aid BLUE properties remain under review and if access to a NGA infrastructure does not occur, these properties can be included within the scope of the new BBfN contract.

1.2.2. This map shows the Intervention area at postcode level. It is important to note, only one property within a postcode area need have a State aid status of WHITE or BLUE for that entire postcode area to be colour coded WHITE or BLUE. The majority of properties in these postcode areas are State aid GREY or BLACK.



1.2.3. Norfolk State Aid documentation can be found on the BBfN website:

<https://www.betterbroadbandnorfolk.co.uk/further-information/>

1.2.4. Norfolk submitted a State Aid Application Form Part One to BDUK for the B2 Checkpoint Assurance – “Ready to Procure”. BDUK gave approval without condition on 19th July 2018. This allowed Norfolk to move to procurement.

1.3. The following Norfolk County Council team is in place to complete the proposed procurement:

Better Broadband for Norfolk – Karen O’Kane

Finance – Roland Rivington

NPLaw - Mike Garwood

Procurement – Sarah Hardy

1.4. Procurement process

On 23rd July 2018, Norfolk commenced procurement using the Open procedure, with an “Expression of Interest” step instead of PQQ (Pre-qualification Questionnaire). This route was agreed by DIEC on 6th March 2018.

The procurement is based on the same principles as previous BBfN procurements – to achieve maximum coverage for the available funding. This is consistent with the State aid requirement that the Most Economically Advantageous Tender must be selected.

State aid requirements also mean that procurements must be technologically neutral.

1.4.1. To comply with State Aid requirements the proposed procurement must also consider potential funding models and lotting strategies. One-to-One Market Supplier Engagement meetings took place and informed the procurement approach agreed by DIEC on 6th March 2018. In summary:

- A Gap Funding Model. The subsidy only funds the cost to deploy the infrastructure, minus the revenue the infrastructure generates in the seven years following its implementation. State Aid rules protect against over subsidy via the post implementation clawback rebate mechanism which Norfolk has already benefitted from via its first BBfN contract
- A single Norfolk wide lot, maintaining the current approach to achieve the maximum NGA coverage for the available funding. Avoiding smaller lots which would provide less overall coverage across Norfolk. This approach also avoids suppliers bidding for only a sub-set of the Intervention Area, with the hardest to reach areas attracting no bids

1.4.2. In order to comply with State aid, there are also key requirements which bidders must meet:

- Must target NGA white areas (not commercially covered) only, with NGA qualifying technologies, e.g. FTTP, HFC (docsis 3), FTTC, and Fixed Wireless Access (configured appropriately)

- Infrastructure must be capable of delivering access speeds over 30Mbps and a “step-change” in capability – including at least a doubling of speeds
- Infrastructure providers must provide ‘wholesale access’ to the passive and active network. This must be made available to third parties ISPs. This access must be provided for at least 7 years after implementation is complete (indefinitely for passive assets)
- Prices to use the infrastructure must be based on those available in more competitive areas.

1.4.3. The Procurement process has the following key stages:

- OJEU Notice published and Invitation to Tender launched via Norfolk County Council's procurement portal - complete
- Expression of Interest, three potential bidders have indicated an intention to bid - complete
- Bidders submit bids 9th November 2018
- Evaluation completed by 21st December 2018
- By 4th January 2019, Executive Director of Community and Environmental Services in consultation with the Chair of Digital Innovation & Efficiency Committee agree outcome of evaluation and preferred bidder
- Standstill period completed 18th January 2019
- BDUK approval by 1st February 2019
- NCC final approval by 8th February via Delegated authority to the Executive Director of Community and Environmental Services in consultation with the Chair and Vice Chair of Digital Innovation & Efficiency Committee to enter into contract(s) with the successful bidder(s) for the provision of NGA broadband infrastructure.
- Contract signed 15th February 2019

Note: This timetable is largely dependent on receipt of appropriate bids

1.5. Evaluation of bids

The Evaluation criteria has been defined within the European Commission decision 2016 (State aid), including details of the scoring approach and weighting range percentages to be used.

Norfolk determined the weightings that met its priorities within these ranges and will use the evaluation approach defined within the European Commission decision.

1.5.1. The first level of evaluation is PASS / FAIL for three specific criteria:

- Contract acceptance - bidders must confirm agreement to the key commercial principles/non-negotiable terms of the draft contract in bid responses
- Funding availability - bidders will be assessed on whether the overall subsidy

requirement in the bid is within Norfolk's budget and that sufficient evidence has been provided of Bidder's ability to fund the project, i.e. from private funding sources

- Solution design compliance - The Bidder's solution must demonstrate compliance with Next Generation Access technology State aid requirements.

1.5.2. For those bids which pass the PASS/FAIL evaluation, detailed assurance takes place covering the following specific criteria:

- Value and price (40% weighting)
 - o Financial Model (the Bidder's detailed business/financial model)
 - o Commercial sustainability and viability
 - o Solution coverage at NGA speeds
- Quality (60% weighting)
 - o Solution design quality
 - o Wholesale network design and retail pricing
 - o Implementation Plan
 - o Contractor and Stakeholder Management

1.6. Letting a contract

Contract(s) cannot be let without prior BDUK approval. BDUK performs rigorous assurance of State Aid compliance and that Value for Money has been achieved, including national benchmarking against other county contracts. BDUK Checkpoint C – Ready to contract. This checkpoint takes place at the end of BDUK assurance processes and confirms that the contract will be State Aid compliant and that Value for Money will be achieved.

At its meeting on 6th March 2018 DIEC agreed: 'Delegated authority to the Executive Director of Community and Environmental Services in consultation with the Chair and Vice Chair of Digital Innovation & Efficiency Committee to enter into contract(s) with the successful bidder(s) for the provision of NGA broadband infrastructure.'

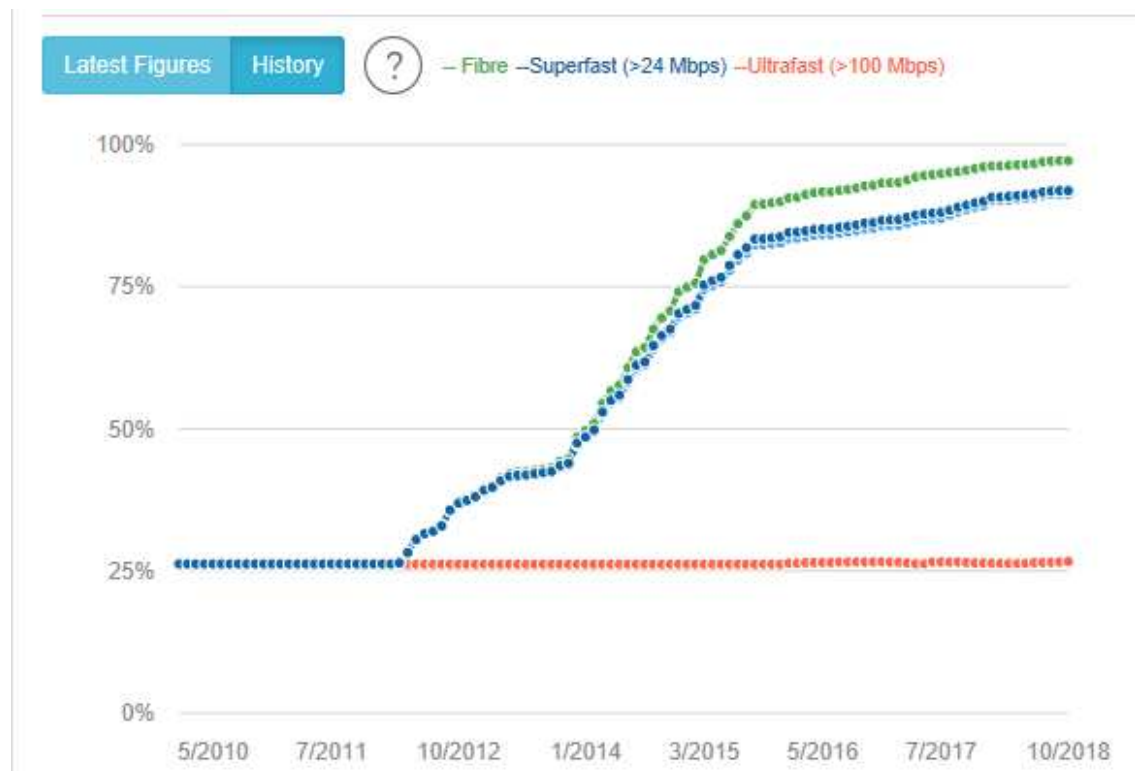
2. Evidence

2.1 Both the initial and second BBfN contracts were let as call-off contracts under the national Broadband Delivery UK (BDUK) Framework contract. This ensured both met EU State Aid requirements, complied with procurement legislation and achieved value for money.

2.1.1 The initial BBfN contract delivered on time and under budget.

The current BBfN contract is on track, with access to Superfast broadband expected to reach 95% of Norfolk properties by the end March 2020.

As demonstrated in this chart from the independent Think Broadband website coverage in Norfolk has reached 92%:



<http://labs.thinkbroadband.com/local/index.php?area=E10000020>

- 2.2 Once NGA broadband infrastructure is implemented, speeds do not improve automatically. People need to contact their Internet Service Provider (ISP), or another, to discuss suitable broadband service packages.

In most cases, residents & businesses can choose to use one of over 100 ISPs to provide their broadband service.

The most recent type of broadband infrastructure, Fibre to the Premises (FTTP), currently has less ISPs offering services using this infrastructure, however the use of this technology is rapidly expanding and consequently the number of ISPs offering services using FTTP infrastructure is increasing.

3. Financial Implications

- 3.1. Total public subsidy for the initial and second BBfN contract is:

	Initial BBfN contract	BBfN SEP contract	Total
BDUK	£15,440,000	£9,210,000	£24,650,000
Breckland DC	£0	£950,000	£950,000
Broadland DC	£0	£560,000	£560,000
Kings Lynn and West Norfolk Borough Council	£0	£500,000	£500,000
New Anglia Local Enterprise Partnership	£0	£5,000,000	£5,000,000
Norfolk County Council	£15,000,000	£1,000,000	£16,000,000
North Norfolk District Council	£0	£1,000,000	£1,000,000
South Norfolk District Council	£0	£570,000	£570,000
Total Public Subsidy	£30,440,000	£18,790,000	£49,230,000

Protections within the initial and SEP BBfN contracts mean if Take-up of services using the new infrastructure is higher than expected, a unit margin is recovered for each additional property that takes a fibre service, over the number specified in contract – known as Gain Share rebate.

BDUK estimate that by the end of the State Aid protection period in 2023 a further £11.1 million rebate will be due. The final post implementation clawback rebate will not be confirmed until the end of the protection period in 2023. This led to a recommendation within the 'Better Broadband for Norfolk Programme update' report to the Digital Innovation & Efficiency Committee (DIEC) held on 6th March 2018, 'that Norfolk County Council borrow to fund this proposed new contract prior to the receipt of anticipated Gain-share rebates from BT.'

At its 6th March meeting, DIEC agreed to 'Recommend to Policy and Resources Committee and then to Full Council for the £11 million of forward funding for the next stage of BBfN.' This recommendation was agreed by P&R and Full Council.

4. Issues, risks and innovation

- 4.1. Risks have been identified and managed using the Corporate Risk Management Framework. The BBfN Steering Group reviews programme risks and proposed mitigations at its quarterly meeting.
- 4.2. The environmental impact of the contractor proposals and, specifically, what steps the contractor will take to minimize the environmental impact of the programme are assessed as part of Norfolk's procurement processes.

5. Background

- 5.1. County Councilors identified that the lack of broadband infrastructure disadvantages parts of Norfolk both economically and socially. This is identified in the Council's Economic Growth Strategy as key infrastructure to support economic development.
- 5.2. Better Broadband for Norfolk contracts are managed within nationally agreed contract management and assurance processes.

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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