

By: Mark Dance, Cabinet Member for Regeneration and Economic Development, Roger Gough, Cabinet Member for Education and Health Reform & David Cockburn, Head of Paid Service

To: Policy and Resources Committee - 19th September 2014

Subject: **Extending the Reach of Superfast Broadband Services**

Classification: Unrestricted

Electoral Divisions: All

For Decision

Cabinet Committee is asked to consider this report regarding Cabinet granting delegated authority to the Corporate Director, Strategic and Corporate Services, in consultation with the Cabinet Member for Economic Development and the Cabinet Member for Education and Health Reform to:

- 1) enter into a contract to deliver the Kent and Medway BDUK Phase 2 project;
- 2) enter into a grant agreement with BDUK to draw down the £5.6 million of Government funding.

1.0 Introduction

1.1 The Government has recently allocated additional funding of £5.6 million for Kent and Medway to further increase the rollout of superfast broadband services, which KCC has agreed to match. This is part of the BDUK's (phase 2) superfast extension programme which aims to build upon the work of the existing BDUK (phase 1) projects and get superfast broadband to 95% of premises in the UK by 2017.

1.2 Drawing down this funding will require Kent County Council undertaking a new procurement, securing state aid sign off (under the UK's state aid notification) and entering into a new grant agreement with BDUK for the additional allocation.

2.0 Background

2.1 Improving access to good quality broadband services has been a long-standing priority for Kent County Council.

2.2 Despite significant investment in recent years by a number of commercial infrastructure providers (notably BT Openreach and Virgin Media) – around a quarter of the County's premises remain 'out of scope' of these commercial upgrade programmes. This is because these premises, or areas, are not deemed commercially viable to upgrade within the operators' current investment models.

2.3 Given the importance of broadband to business, education, public service delivery and, increasingly every-day life, Kent County Council has been working to bring better broadband to areas where there are no plans by commercial operators to upgrade provision (i.e. areas of market failure) – and without this work, would continue to have no or very slow broadband services.

3.0 Work currently underway to upgrade broadband services in areas of ‘market failure’

3.1 KCC is currently delivering two major projects to upgrade broadband connectivity across the County. These are:

3.1.1. The Kent and Medway BDUK (phase 1) project – a £40 million infrastructure project working to bring superfast broadband to over 120,000 premises across Kent. In particular, the project is aiming to ensure that:

- 91% of all properties in Kent can access superfast broadband of at least 24Mbps broadband infrastructure by the end of 2015.
- Every property in the project area can access a standard broadband service of at least 2mbps by the end of the project.

The project, which commenced in March 2013, is currently on track and has already delivered better broadband to over 40,000 premises – and is anticipated to reach 50,000 premises by the end of this month. Further information on the rollout can be found at www.kent.gov.uk/broadband.

3.1.2 The Regeneration Fund Superfast Broadband Pilots – KCC is working with five communities to trial innovative, new ways of delivering superfast broadband in hard to reach areas. These schemes, which commenced in 2011 and cover 4,747 premises, are being delivered by Call Flow Solutions and services have now gone live in four of the pilot areas. The project represented also the first UK project which was officially recognised as using wireless broadband technologies to deliver superfast speeds.

4.0 Further extending the reach of superfast broadband services

4.1 Whilst the above work will create a real step change in broadband connectivity across the County - by ensuring that 91% of properties across Kent can get superfast broadband by the end of 2015 - we recognise that is very frustrating for those living or working in areas which are not likely to benefit from this current round of upgrades.

4.2 We are therefore working hard to further extend the reach of superfast broadband services beyond 91%. This work comprises:

- a) **Securing additional funding to extend coverage** – KCC has secured two pots of additional funding to extend coverage beyond 91%.

- i) Firstly, as a result of work undertaken in partnership with Ashford and Tunbridge Wells Borough Councils, and Sevenoaks and Shepway District Councils, KCC was awarded an additional £1.59 million of Government funding to extend existing BDUK project. This will bring better broadband to a further 3,673 households in these areas.
- ii) Secondly, KCC has been allocated an additional £5.6 million of Government funding to undertake a BDUK Phase 2 project – which KCC is matching. Whilst it is not possible to confirm the precise coverage uplift that will be achieved, it is anticipated that this additional funding should bring superfast broadband to at least 95% of premises across Kent by the end of 2017.

b) Piloting new technological solutions for ‘hard to reach’ final 5% areas

The final ‘5%’ areas represent those premises which are the hardest to serve – both on cost and technological grounds. For example, fibre to the cabinet technologies will not provide a speed uplift to properties who are too far away from the cabinet, whilst ‘line of sight’ issues (e.g. tree coverage, nature of the local topography, nearby buildings) can prevent properties in areas served by wireless operators from being able to receive the service – unless specific adaptations have been made in the operator’s local network design.

To help support the development of new, and more affordable solutions, KCC is working with BDUK as a pilot location for their national ‘Innovation Market Testing’ Scheme – and the findings of this work will subsequently inform the development of a new BDUK Phase 3 programme – which will focus on these ‘final 5%’ areas.

5.0 Taking forward the BDUK Phase 2 project

- 5.1 As highlighted in section 4.2 above, KCC have been allocated additional government funding to extend the reach of superfast broadband beyond the 91% planned for the phase 1 project - as part of the BDUK phase 2 programme.
- 5.2 KCC is currently working with BDUK to take forward this project and has already:
 - Undertaken an Open Market Review with all broadband infrastructure providers to ascertain their current coverage and future commercial coverage plans for standard (at least 2mbps) and superfast broadband in the next three years.
 - Commenced the formal state aid notification process with BDUK
 - Reviewed the procurement options available to KCC.
 - Agreed with BDUK a slot on their procurement pipeline.
- 5.3 Given the market and programme constraints, KCC is planning to procure the phase 2 project utilising the BDUK framework – which is now officially a single supplier framework. This is because, having reviewed the options:

- All of the existing BDUK phase 1 projects in the UK have been awarded to BT, regardless of whether they were framework or non-framework due to a lack of competition in the rural infrastructure market for projects at this scale.
- Running a separate OJEU procurement would take longer and increase the risk of a no-bid scenario – especially if the local requirement and contractual terms varied from those associated with the BDUK framework.
- The UK's State Aid notification expires on the 30th June 2015. State aid sign off is a legal requirement and all projects wishing to use this scheme must be in contract by this date – otherwise they will need to apply directly to the Commission which could take between 12-18 months to secure.
- Utilising the BDUK framework significantly mitigates the risk of a 'no-bid scenario'. Should the procurement cycle need to be repeated, it is unlikely that a contract could be awarded ahead of the expiry of the UK's State Aid notification scheme.
- Our experience of running small scale broadband procurements indicates that it is highly unlikely that we could complete the necessary procurements and state aid sign off within the necessary timescale for a multiple-procurement option.
- An independent value for money review of the bid received for KCC's previous BDUK framework procurement concluded that the submission was within acceptable cost parameters.

6.0 Safeguarding Value for Money

6.1 In order to provide the necessary assurances that value for money is being achieved, the following safeguards are being put in place:

- An independent value for money review is being commissioned for the Kent bid. This will compare the bid against anticipated modelled costs to ensure the proposed costs can be justified – and that any anomalies are flagged.
- The BDUK assurance team will also benchmark the costs of the Kent Phase 2 bid with financial data from the phase one and phase two bids. This will compare costs and red flag any cost differentials and local variations.

7.0 Timescales

7.1 We are currently in the process of finalising timescales for the procurement with BDUK but it is anticipated that the Invitation to Tender will be launched by the end of October and that contract will be awarded in April 2015

7.2 Although precise delivery timescales cannot be confirmed until we have completed the procurement exercise, BDUK are anticipating that the additional coverage will be in place by 2017. As for the current programme,

KCC will seek to utilise every opportunity to accelerate the deployment plan wherever possible.

8.0 Conclusions

- 8.1 Good progress has been made to date in taking forward a range of projects to improve Kent's broadband connectivity. To date, this work has brought better broadband connectivity to almost 50,000 homes and businesses that would not otherwise benefit from commercial upgrade programmes.
- 8.2 The BDUK phase two project creates an opportunity to further build upon this work and go beyond the current targets of bringing superfast broadband to 91% of premises in Kent and Medway.
- 8.3 Whilst it is unfortunate that there still remains a lack of competition within the rural broadband infrastructure market for deploying projects at this scale, a robust framework is in place to manage the Kent and Medway BDUK phase two procurement and ensure that value for money is achieved.

9.0 Recommendation(s)

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10. Contact Details

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Background Documents:

None