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To: Policy and Resources Cabinet Committee – 27th September 2012

Subject: Kent and Medway Broadband Delivery UK (BDUK) Project - Update

Classification: Unrestricted

Summary: Kent County Council is leading a £43 million project to transform Kent and Medway's Broadband infrastructure. This project, which is being delivered in partnership with the Government's Broadband Agency, BDUK, will ensure that at least 90% of properties can access superfast broadband by 2015 and that the remaining 10% have access of at least 2Mbits/s.

Kent County Council has managed to secure an early slot on the Government's procurement pipeline and considerable preparatory work has been undertaken to ensure that the project is ready to procure at end of next month.

1. Introduction

- 1.1 Kent County Council is working in partnership with the Government's Broadband Agency, Broadband Delivery UK (BDUK), to deliver a major project to transform Kent and Medway's rural broadband infrastructure.
- 1.2 The project seeks to ensure that at least 90% of Kent's properties will have access to superfast broadband services by 2015 and that the remaining 10% have access of at least 2Mbits/s. This is in line with the Government's national broadband targets.
- 1.3 Without this project many rural businesses and communities would continue to have either no or very slow broadband services as there are no market-led plans to upgrade infrastructure in many rural parts of County.
- 1.4 Kent County Council is investing over £10 million to enable this upgrade, which has been matched by £9.87 million from the Government. It is expected that the network operator who wins the right to build the network will contribute the remaining funding required for the project.

1.5 Transforming Kent and Medway's broadband infrastructure will be critical for delivering Kent's strategic ambitions as this project seeks to:

- Deliver economic growth by removing a significant barrier to development (especially for the 40% of Kent's businesses based in rural areas).
- Support KCC's ambition to put the citizen in control by providing the infrastructure to support the transformation of public services especially channel-shift agendas and next generation assisted living technologies.
- Tackle disadvantage by increasing access to services and improving educational outcomes.

Furthermore through helping to reduce the need to travel by enabling greater home-working, this project will also contribute towards the delivery of a number of environmental outcomes around carbon reduction.

2. Progress to date

2.1 Considerable progress has been made, at a local level, in taking forward the Kent and Medway BDUK Project. This work includes:

- **Implementation of a successful, demand registration campaign** – the 'Make Kent Quicker Campaign' was launched on the 15th February to provide a robust evidence for suppliers of the demand across Kent for better and faster broadband services. To date there have been over 15,000 registrations from businesses and communities across the County, with many Districts partnering the initiative and running local campaigns. Feedback from BDUK has indicated that this is an excellent response rate.
- **Securing an early slot on the Government's broadband procurement pipeline** – the Government has made it very clear that it will not be possible for all local authorities to undertake their procurements at the same time due to capacity constraints within the market. By getting early sign off of our local broadband plan, Kent County Council has managed to secure a very early slot in the Government's procurement pipeline. We are in the process of confirming timelines with BDUK, but we expect to launch our Invitation to Tender at the end of October.
- **Undertaking an Open Market Review with Suppliers** to ascertain the extent of current market deployment plans. This work is essential for meeting state aid requirements and confirming where there is market failure to finalise the intervention area for the project.
- **Completing BDUK audits on readiness to procure** – Kent County Council has already passed two BDUK audits inspecting our 'readiness to procure'. These have assessed our Invitation to

Tender documentation, the quality of our demand registration data, open market review processes and pre-application state aid work. BDUK are currently reviewing their Checkpoint process and may undertake further audit work before the ITT launch.

- **Working with BDUK on the Kent and Medway State Aid Notification** – the national BDUK rural programme constitutes State Aid under EU law. The Government is currently working with the European Commission on a UK State Aid Notification which will agree the parameters for all local authority schemes. Kent County Council has been working on the supporting information that will be required to accompany our state aid application to the Department of Culture, Media and Support following the completion of the procurement process.
- **Ensuring that all the procurement documentation and supporting information is in place** – KCC has been working closely with BDUK on the development of the Kent and Medway Invitation to Tender. This has also involved ‘supplier warming’, meeting with the suppliers on the BDUK procurement framework – BT and Fujitsu.
- **Supporting District Councils and communities submitting bids to the Defra Rural Community Broadband Fund.** This scheme has made an additional £20 million available nationally to provide superfast broadband solutions to those ‘final 10%’ areas that would only benefit from a basic 2mb service under the BDUK programmes. Kent has performed well to date with four ‘Expressions of Interest’ being approved in the first round.

3. Issues

Although good progress has been made at a Kent level, a number of issues have arisen at a BDUK level which has delayed the national programme. These are:

- **Delays in approving the UK state aid notification with the EU**, which was originally intended to be in place by April 2012. BDUK are confident that the outstanding issues have now been resolved and that agreement will now quickly be reached with the EU.
- **Delays in finalising the BDUK procurement framework** – BDUK have established a procurement framework for local authorities to use which will prevent them having to undertake a more extensive and costly competitive dialogue process (which could take up to 12 months to complete). Delays in approving the UK State Aid notification have meant that the framework, which was due to be ready by April 2012, was not finalised until July 2012.
- **Delays in undertaking the Open Market Review process (OMR)** - due to the above delays, some suppliers have been reluctant to engage in the OMR

process before the finalisation of the UK State Aid Notification. Fortunately in Kent, this work has now been completed.

4. Timescales

Subject to no further, externally-generated delays, we intend to launch the Kent and Medway Invitation to Tender at the end of October and have a supplier in place by early April. These timescales assume that the UK State Aid notification will be in place to support the Kent State Aid application to DCMS in February.

It should also be noted that it will not be possible to confirm the geographical phasing of the rollout until after the procurement has been completed.

5. Next Steps

The key tasks for the project team over the next seven months are:

- Finalisation of the State Aid Maps for the project to set the intervention area for the project – including evaluating the extent of coverage by wireless operators across Kent and Medway.
- Submission of State Aid Part 1 application to DCMS (early October 2012)
- Launch of the Invitation to Tender Documents (end of October 2012)
- Evaluation and clarification of Tender Submissions (January 2013)
- Submission of StateAid Part 2 application to DCMS (February 2013)
- Completion of DCMS Checkpoint C 'readiness to contract' (February 2013)
- Contract award – and completion of local and national governance processes around this (early April 2013).
- Supporting Defra Rural Community Broadband Fund Applicants in the development of their full applications to secure further funding to address 'final 10% areas'.
- Achieving further registrations on the 'Make Kent Quicker' campaign and developing new demand stimulation workstreams with partners.

6. Conclusions

6.1 Whilst the national BDUK programme has slipped due to delays in approving the UK state aid notification and finalising the national procurement framework, a considerable amount of work has been undertaken at a local level to prepare the ground and ensure that the Kent BDUK project is ready to go.

6.2 This preparatory work has meant that Kent has been given an early slot on the Government's procurement pipeline – compared to other areas. Under current timescales issued by BDUK, we anticipate that we will launch our procurement at the end of October and the project will commence in early April.

7. Recommendation

7.1 The Committee is asked to note the contents of this report.

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Background Documents:

None