

DERBYSHIRE COUNTY COUNCIL

CABINET

16th July 2013

**Report of the Deputy Chief Executive and Strategic Director for Health and
Community Safety**

DIGITAL DERBYSHIRE (Jobs, Economy and Transport)

1. Purpose of the Report

To update Cabinet on progress in relation to the Digital Derbyshire Local Broadband Plan and to seek delegated authority to approve the preferred bidder within the procurement process.

2. Information and Analysis

Introduction

The Government's ambition to have the best superfast broadband network in Europe is a major national scheme being administered centrally by Broadband Delivery UK (BDUK) and delivered locally by 41 upper-tier authorities. The national programme will support the County as the economic benefits have the potential to increase growth, productivity, innovation and enhance Derbyshire as a business location. Furthermore, broadband will provide social benefits and support the transformation of public service delivery and drive down costs.

It is important that work is undertaken throughout the lifetime of the project to maximise the economic and social benefits arising from this major infrastructure investment, to ensure that Derbyshire residents and businesses are not left behind.

Background

In August 2011, the Government committed £530m investment into the UK broadband network with the objective of facilitating the delivery of superfast broadband to 90% of areas and "standard" broadband (2 Mbps minimum) to the rest. The aim is to stimulate private sector investment to deliver the best network in Europe by 2015, including future proofing investment to enable next generation broadband.

BDUK awarded the County Council a grant of £7.39m, subject to:

- a matching amount being found locally
- approval of the Digital Derbyshire Local Broadband Plan.

In February 2012, the County Council approved a one-off contribution of £1.056m and agreed to underwrite the remaining balance of £6.334m to secure the Government grant. On 4 May 2012, BDUK approved the Derbyshire Local Broadband Plan.

The BDUK National Procurement Framework was intended to be available from April 2012 but this was not approved until June 2012. The two successful companies, BT and Fujitsu, are approved suppliers within the National Framework. The major hold-up in the national delivery timetable was due to the European Commission not granting State Aid until end of November 2012.

Derbyshire Local Broadband Plan

The Vision set out in the Local Broadband Plan is “to transform and enhance the quality of life for every community in Derbyshire through excellent access to broadband”. Within this context, Digital Derbyshire is more than the provision of superfast broadband infrastructure, it is also about engaging communities and stimulating demand to embrace the benefits of broadband and deliver transformation that will stimulate economic growth, tackle inequality and build stronger communities by fostering competitive economic activity and more effective delivery of public services.

In the Local Broadband plan it identifies, based on current estimates, that over the next 10 years the project will deliver:

- An additional 3042 jobs across Derbyshire
- Net increase of £207m in GVA per annum
- A cost benefit ratio on public investment of 73:1

- **Stimulating Economic Growth**

Broadband infrastructure is a critically important enabler in driving economic growth and employment, productivity and skills and promoting Derbyshire as a prime location for investment. Access to superfast broadband (speeds up to 30mbs) will improve competitiveness through allowing firms and entrepreneurs to create new business models, compete in a global market, stimulate innovation and interact more efficiently and effectively with customers, partners and suppliers. Nationally SMEs drive economic growth; digital technology can enable SMEs to unlock as much as £18.8 billion in incremental revenue. Digitisation can help channel scarce resources and help businesses expand more effectively and investing in these offerings SMEs could improve customer satisfaction and retention.

Key Headlines (GO ON UK with Booz & Company)

- 90% of consumers use the internet to research purchases
- 2/3 of SMEs have little or no presence online
- SMEs can reduce their back office cost base by 20% by using digital means
- Highly digitised SMEs grow at a faster rate than non digitised
- 51% increase in sales due to effective marketing and wider geographic reach
- 54% improved levels of customer satisfaction levels and retention
- 79% of UK business owners feel the internet will make returning to growth easier after the global recession

- **Tackling Inequality**

Bridging Derbyshire’s “digital divide” is vital to ensuring access to economic opportunity and social welfare for all citizens regardless of location or wealth. Derbyshire faces a “digital divide” between the more urban areas in the east and the south (including Derby) and the traditionally rural west and north with commercially provided broadband access and speeds lagging therefore exacerbating the divide. However, the provision of infrastructure needs to result in access to an affordable internet service which is vital to Derbyshire’s future health, wealth and quality of life.

- **Building Stronger Communities**

Access to broadband is fundamental to delivering localism through providing a real stimulus for greater community cohesion, citizen engagement and better access to services. Effective connectivity will breathe new life into existing communities in Derbyshire providing numerous benefits to residents including:

- increasing the potential for people to work and do business from home

- enabling better delivery of education and training through virtual learning environments
- enabling better and cheaper delivery of personalised public services
- allowing greater independence for Derbyshire's ageing population through the on-line appliance of health advice and assistive technologies and social inclusion
- creating economies of scale for delivering community and retail services especially in rural locations
- environmental benefits, with less reliance on travel for services

Key Headlines (GO ON UK with Booz & Company)

- Social exclusion for older people without internet access is three times higher than those without access
- Internet use leads to a 20% reduction in depression
- 30% say access to good broadband is likely to affect their decision on where to purchase a house

Service Delivery

The Cabinet Office published the Government's Digital Strategy in November 2012 setting out how the Government intends to become digital by default. It is estimated that savings of between £1.7 and £1.8 billion a year can be realised by moving services online. The Government provides over 650 transactional services. Half do not offer an online option and those that do are significantly underused. Most public services are provided by local councils and the NHS with people often using a range of services, not just one at a time.

The Strategy recognises that people do not differentiate between different levels and types of public services; they just want a good service and the Government has committed to:

- Make digital assets (standards, design and code) generated as a result of this strategy widely available
- Share central government plans with local authorities and other public bodies
- Work with local councils and their representatives and professional bodies to help them make improvements

In April 2013 the Government's first switch to 'Digital by Default' saw Universal Credit being an online transaction, meaning that claimants need to use the internet to access their benefits. Many organisations and individuals remain unaware of this change in delivery and the Council is working across partners to push this message out.

The Council is working with the Local Government Association to develop a Digital Strategy for Derbyshire to embrace the new infrastructure for our economic benefit and service delivery transformation.

Key Headlines (GO ON UK with Booz & Company)

- Local government and central government can potentially recoup £5.1 billion annually with the digital delivery of services
- 82% of the UK population is online but most people rarely use online government or local government services
- Local government can save over £421m by digitising transactions
- CO2 emissions can be reduced by 28% as the need for travel is removed

Procurement

The Council is using the BDUK national framework to secure a commercial partner to keep procurement costs to a minimum, resulting in;

- Accelerated procurement process achieving a contract award faster than an OJEU procurement,

- Removal of the need for the County Council having to obtain State Aid approval independently,
- Security of costs and best practice from the early contracted projects,
- A governed response from framework suppliers along with checks and balances from BDUK (i.e. value for money, assurance).
- Standard template ITT and contract documents populated with Derbyshire specific information from the Local Broadband Plan.

Current programme activity

The Invitation to Tender (ITT) was launched on 26th April 2013 to seek responses from the national framework providers. Commercial suppliers were to provide a response originally by 5th July subsequently extended to 12th July 2013. As mentioned earlier, only two companies are approved suppliers within the framework (BT and Fujitsu) and Fujitsu have since announced that they do not intend to bid for any contract. It is anticipated that BT will be submitting a response to the ITT within the prescribed time limit. Upon receipt of a tender response from BT, this will be evaluated in line with the BDUK framework.

In parallel with the Council's evaluation BDUK will undertake a bid analysis and provide the Council with a Value for Money report. This report will compare the Derbyshire response with other projects and the framework agreed unit costs to ensure that value for money is achieved. Any variance from the standard range will be challenged by both the Council and BDUK.

Subject to a satisfactory evaluation of the single tender and in particular it providing value for money in accordance with the national framework, the "preferred bidder" would be formally notified to allow contract clarifications to commence. These clarifications will be structured and to enable Cabinet to consider awarding the contract on 30 July 2013.

The BDUK programme has been accelerated and Ministers require that all contract awards are made early August 2013 and BDUK funding spent by March 2015. The timeline from ITT response and contract award is very tight to meet the requirements of the BDUK process. The dates as currently known are as follows;

| | |
|---|-----------------|
| Issue Final ITT – week commencing | 22/04/13 |
| Confirmation of ERDF funding | 29/04/13 |
| Run Call Off Procedure | 12/07/13 |
| - Evaluation, moderation, value for money report and governance | |
| Cabinet approval delegation to notify preferred supplier | 16/07/13 |
| Notify preferred supplier | 22/07/13 |
| - To allow contract negotiation to commence | |
| State Aid Part 2 submission | 22/07/13 |
| Checkpoint C | 30/07/13 |
| Cabinet approval to award contract | 30/07/13 |
| - Report on tender outcome for cabinet approval | |
| Final governance | 05/08/13 |
| Contract Award | 09/08/13 |
| - Contract signature | |
| Detailed survey to confirm technical design and roll out | 30/06/14 |

Funding

On 29th April 2013 £2.5m of European Regional Development Fund (ERDF) funding was successfully secured to support the capital costs and to reduce the underwriting by the Council to £3,834m. The ERDF can only be used to support the rollout of superfast broadband to around 10,000 Derbyshire small and medium sized enterprises (SMEs). Additionally, £93,000 ERDF revenue has been secured to support business support activities to assist Derbyshire SMEs to understand and embrace digitisation for business growth and improved productivity (funded through ERDF revenue). Both elements of the ERDF funding must be fully spent by June 2015 and any delay to the timetable has the potential to impact on the amount of ERDF grant received due to the spend deadline. The ERDF deliverables are;

- 300 Businesses supported to improve performance
- £4m public investment leveraged
- 2 businesses created/attracted to the region
- 40 businesses improving capability/performance
- 5 jobs created

Within the national framework the successful supplier is required to provide investment into the Derbyshire project. The total investment for Derbyshire will not be known until the tender response is received.

The BDUK and ERDF funding is approved specifically for the deployment of a superfast broadband network using the BDUK national framework and under the State Aid notification SA.33671 (2012/N) – National Broadband Scheme for the UK, Broadband Delivery UK.

Technologies

Under the UK State Aid notification, all tenders must be 'technology neutral' and deliver a 'wholesale access network' to ensure the best possible solution is engineered for an area and that other operators can deliver a service on the new network to bring choice and competition for end users.

The types of technical solutions, agreed at BDUK framework and by the European Commission, that can be used to provide a technical solution for Derbyshire are;

| Technology | Advantages | Disadvantages |
|--------------------------------|---|---|
| FTTC – Fibre to the cabinet | <ul style="list-style-type: none">• Delivers speeds up to 80mbps• Is future proofed• Is relatively cheap and quick to deploy• Brings choice of Internet Service Provider• Supports the roll out of 4G | <ul style="list-style-type: none">• Premises a long distance from the cabinet will not achieve 80mbps• Copper cable from cabinet to premises |
| FTTP Fibre to the premise | <ul style="list-style-type: none">• Delivers speeds up to 300mbps• Is future proofed• Fibre all the way to the premise• Brings choice of ISP• Supports the roll out of 4G | <ul style="list-style-type: none">• Is the more costly fibre solution |
| BET Broadband | <ul style="list-style-type: none">• Delivers speeds of 2mbps | <ul style="list-style-type: none">• This is viewed as an infill technology and not future |

| | | |
|---------------------|---|--|
| enabling technology | <ul style="list-style-type: none"> • Extends the reach of current ADSL technology (up to 12km) | proofed <ul style="list-style-type: none"> • Is costly for the end user • Once installed difficult to remove • No choice of ISP |
| Satellite | <ul style="list-style-type: none"> • Delivers speeds of 4-10mbps • Can be delivered to premises which cannot be reached by the other technologies | <ul style="list-style-type: none"> • This is viewed as an infill technology and not future proofed • Is costly for the end user • High latency (interruption) for end users • Little choice of ISP |

Derbyshire Requirements

The priorities in the Derbyshire Invitation to Tender are;

- Superfast broadband (>over 24mbps) for 90% of all premises
- Basic broadband for all premises
- Provision of Superfast Broadband made available to ERDF eligible businesses
- Provision of superfast broadband at Markham Vale Enterprise Zone

The tender response is expected to provide a degree of detail of anticipated coverage and speed at a postcode level and an initial implementation plan, upon contract award a detailed design and survey will take place which will form the deployment / implementation plan for the county.

Project Governance

In line with the Local Broadband Plan the project management structure has been established using PRINCE2 methodology with a dedicated Project Manager and a wider project team bringing resources and expertise from economic regeneration, finance, legal, procurement and environmental services.

The Project Manager reports to and is supported by a Project Board, chaired by the Deputy Chief Executive and a Partnership Group (engaging wider stakeholders) is chaired by the lead Cabinet Member. The project board is responsible to Cabinet. The structure is shown in the Appendix.

Demand and engagement

The engagement, education and market stimulation work continues at a high pace with over 4,700 residents and businesses now registering their demand alongside a wealth of partner support and joint initiatives. Libraries are championing Digital Derbyshire by promoting the registration tool on public access computers, with front line staff raising awareness with the public. During Adult Learners week, libraries and the Digital Derbyshire partnership supported many people to use the internet for the first time and gain confidence.

Risks

The following outlines the immediate key risks and consequences to the Council for any delays:

- Ministers require all contracts in place by early August 2013; any delays will need ministerial approval and could result in the BDUK grant being withdrawn.

- ERDF funding is time limited with a spent date of 30th June 2015, delays will significantly impact on the ability to meet this challenging spend target which could result in the Council's underwriting increasing towards the approved limit of £6.334m.
- BDUK funding is time limited and spend is required by 31st March 2015.

3. Financial Considerations

BDUK has awarded £7.39m to the County Council towards the programme. The County Council has approved a one-off contribution of £1.056m and agreed to underwrite the remaining balance. ERDF funding of £2.5m has been secured and this potentially reduces the underwriting commitment to £3.834m, providing the ERDF is spent before 30 June 2015. Any delay to the timetable has the potential to impact on the amount of ERDF grant received due to the spend deadline.

4. Legal considerations

As detailed in the report the procurement is being conducted under a national framework which complies with OJEU requirements. Given that there will be a single bidder it is particularly important to ensure the integrity of the procurement process and appropriate safeguards have been put in place.

5. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, legal, equality of opportunity, environmental, health, personnel and property considerations.

6. Key Decision - No

7. Call – In

Is it required that call-in be waived in respect of the decisions proposed in the report? No

8. Background Papers

Previous Cabinet reports
Local Broadband Delivery Plan
Invitation to Tender

9. OFFICER'S RECOMMENDATIONS

1. To note the progress being made to deliver the Local Broadband Plan.
2. That, subject to completion of the call off governance period and the tender delivering value for money, the applicant be notified of preferred bidder status in accordance with the timetable.
3. To note that the Cabinet meeting on 30th July 2013 would be invited award the contract.

David Lowe
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Strategic Director for Health and Community Safety

Digital Derbyshire Governance Structure

