

**Solutions
for Business**

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Project Owner

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RDPE_B2

Rural Development Programme for England (RDPE) Business Support (European Economic Recovery Plan-EERP)

Rural Broadband Expression of Interest Guidance Notes

Please note that this guidance does not replace the standard *emda* RDPE Expression of Interest guidance, which should be used for all other *emda* RDPE applications.

Funded by



The European
Agricultural Fund for
Rural Development:
Europe investing in
Rural Areas

Introduction and background

In 2009, the European Council approved a European Economic Recovery Plan (EERP) to help mitigate the impacts of the economic downturn across member states. This plan includes funding for the support of Rural Community Broadband delivered through the Rural Development Programme for England (RDPE). The funding will contribute towards developing innovative approaches that address existing gaps in rural broadband coverage. These approaches can include:

- community broadband projects
- projects that seek to upgrade existing infrastructure to exceed the proposed Universal Service Commitment speed of 2Mbit/s
- projects that enable early deployment of next generation compatible solutions

Projects funded under RDPE (EERP) will help support the economy in the short term and over the longer term create essential infrastructures for sustainable economic growth. It is likely that projects will remedy a market failure, i.e. situations where individual market investors do not invest.

Projects will have an important impact in terms of helping to bring in wider funding to rural areas. This funding will also have a significant impact in improving local services, stimulating economic development and social inclusion and contributing to the broader aims of RDPE.

UK Broadband Strategy

In the Queen's speech following the May 2010 general election the new administration committed to support investment in new high-speed broadband internet connections. In the subsequent budget in June the coalition committed to fund three pilots to bring superfast broadband to hard-to-reach areas while working towards a universal broadband service at two Megabits per second.

The coalition government's position on next generation broadband is awaited but in his first speech on the subject Jeremy Hunt, the new minister, indicated that: *Our goal is simple: within this parliament we want Britain to have the best superfast broadband network in Europe*¹. Whilst there is no formal definition of what constitutes superfast broadband, in opposition the minister championed the need to roll out of superfast broadband at speeds of up to 100mbps to the majority of homes across the UK by 2017².

Fund Objectives

This fund seeks to support the government's objective that Britain has the best superfast broadband network in Europe.

It is important that projects are capable of reducing the 'digital divide' that sets apart areas in the East Midlands where affordable and competitive broadband services are on offer and areas where such services are not. *emda* is required to ensure that the funding will result in a higher level of broadband coverage and penetration in a shorter time than would otherwise occur in the absence of any intervention and to ensure that the positive effects of the projects outweigh any negative effects in terms of distortion of competition. **Therefore, *emda* will only support the deployment of Next Generation Access (NGA) networks in areas where no broadband infrastructure currently exists or in areas where existing broadband operators have no published plans to deploy NGA networks in the near future – i.e. within the next 3 years.**

1 Rt Hon Jeremy Hunt MP, Secretary of State for Culture, Olympics, Media and Sport, *Media Keynote Speech*, 8 June 2010, The Hospital Club, London

2 *Conservatives to deliver nationwide superfast broadband by 2017* (Blog: Shadow Culture, Media & Sport, Jeremy Hunt MP., 4th Feb 2010)

WHO CAN SUBMIT AN EXPRESSION OF INTEREST?

Organisations eligible to apply are:

- Businesses
- Charities
- Community groups
- Local consortia

Organisations NOT eligible to apply are:

- Broadband providers (unless as part of a local consortium)
- Local authorities, including Parish Councils (unless as part of a local consortium)

Further guidance will follow to those expressions of interest invited to progress to full application stage.

Please note that, due to the limited funding available, expressions of interest will NOT be considered from communities which already have access to broadband at speeds consistently above 2Mbit/s.

Who can benefit from funding for broadband under RDPE?

RDPE funding for broadband is only available to support the following eligible beneficiaries in rural areas:

- Businesses
- Charities
- Communities
- Social enterprises
- Other formally constituted groups

Individual broadband users may also make use of the RDPE funded facilities.

Amount of funding available and scale of projects

The £400,000 of RDPE (EERP) funding for the East Midlands can only have a limited effect. As a result, the East Midlands Development Agency (*emda*) is looking to select a small number of pilot projects. These should be of significant scale to demonstrate the benefits of high-speed broadband access to improving the prospects and diversity of the economy of rural communities. The implementation of these pilot projects will help to demonstrate the scope to deliver high speed broadband to rural communities at speeds considerably above the proposed 2Mbit/s Universal Service Commitment (USC).

How much can a project get under RDPE?

emda intends to award grants to support a range of projects of different scales from a lower limit of £30,000 to a maximum of £250,000. As a result, given the funding available, we envisage supporting approximately 4 to 6 projects. VAT will only be included where the applicant is unable to reclaim VAT; this situation should be avoided wherever possible. Although RDPE can provide up to 100% of “eligible costs” of a project³, RDPE is a competitive funding programme. Therefore, proposals should seek the minimum

³ Up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules.

RDPE funding necessary to enable the proposed project to proceed, with the rest of the costs met by funding from private sector sources (see section on “match funding” at 5.2).

What rural broadband projects can RDPE fund?

Projects can create infrastructure or upgrade existing infrastructure to support the delivery of new and better quality services to rural areas. The types of projects which can be considered include those that:

- Upgrade existing broadband infrastructure to provide more than 2Mbit/s to all users.
- Provide alternative or innovative arrangements for delivering fibre (allowing the delivery of next generation networks).
- Improve/replace existing copper infrastructure between the local exchange and rural communities.
- Create and/or enable access to broadband infrastructure including backhaul facilities and ground equipment (e.g. fixed, terrestrial wireless, satellite-based or a combination of technologies).
- Provide passive broadband infrastructure (e.g. civil engineering works such as ducts, and other network elements such as dark fibre, etc.) including in synergy with other infrastructures (energy, transport, water, sewerage networks, etc.)
- Are community based solutions working where possible with local community broadband networks.
- Develop rural ICT service hubs providing access in public places.

Activity that is a statutory responsibility of local or national government cannot be funded.

Is this support available in all rural areas in the East Midlands?

Support is available to rural communities with a population of less than 10,000. Whilst the target area for a consortium may exceed this population level, no single community within the target area must exceed 10,000 population.

In addition, the European Commission designates areas as *Black*, *White* or *Grey* based upon the level of broadband competition that exists in a locality:

Black areas—where at least two broadband network providers are present and broadband services are provided under competitive conditions.

White areas—areas where broadband is currently not available and where there are no plans by private investors to roll out such an infrastructure in the near future.

Grey locations—where a network is in place but coverage is not universal and where monopoly provision may affect the quality of service or the price at which services are offered to the citizens. Grey areas call for a more detailed analysis.

The Expressions of Interest needs to state whether your project is in a *Black*, *White* or *Grey* area and indicate what evidence you have for this (see 6.3 below for further information).

Please note:

- **Black areas will be ineligible for RDPE funding.**
- **Being located in a White or Grey area does not in itself guarantee a project RDPE funding as other local factors will also be taken into consideration.**

Assessment of Expressions of Interest

When we receive your Expression of Interest, we will carry out a basic check to see that it is complete. *emda* reserves the right to reject any incomplete Expression of Interest.

WHAT ARE THE SELECTION CRITERIA?

Please note:

Due to the limited funding available, expressions of interest will NOT be considered from communities which already have access to Broadband at download speeds consistently above 2Mbit/s.

This is a competitive process and not all eligible applications will receive funding. An invitation to submit a Full Application will not constitute an offer of funding or a conditional offer of funding.

The questions in the Expression of Interest form provide applicants with an opportunity to present evidence (quantitative and qualitative) to make the case for intervention. They are designed to help *emda* understand (a) current and planned broadband provision and; (b) an assessment of the broader impacts that the project will have on the communities they seek to serve.

emda will invite applicants considered to have submitted the strongest Expressions of Interest to submit a Full Application, to be assessed by *emda*. A 'strong' expression of interest need not be lengthy. Please adhere to the word number guidance in the form.

In assessing the bids, and to help guide limited funding, *emda* will consider at least the following criteria in the assessment process:

- a) Impact – end users targeted
- b) Value For Money (VFM)
- c) Broadband Performance and Quality of Service
- d) Sustainability

GUIDANCE ON THE EXPRESSION OF INTEREST FORM QUESTIONS

Please read these notes carefully to assist in completing the Expression of Interest form. If you have any queries on the completion of this form contact Lucy Pike on 0115 988 8300 or e-mail ruralbroadband@emd.org.uk

2. Organisations eligible to apply are:

- Businesses
- Charities
- Community groups
- Local consortia

Organisations NOT eligible to apply are:

- Broadband providers (unless as part of a local consortium)
- Local authorities, including Parish Councils (unless as part of a local consortium)

3 Consortium Details

The strongest applications are likely to be from consortia of local interests - including businesses, community groups, etc from a limited geographical area, such as a cluster of parishes.

4.1 Please describe the broadband project you are proposing, including management arrangements. Who would manage the project to ensure it is completed successfully, on time and within budget? What experience and skills does this person/organisation have of managing this type of project?

Expressions of Interest need to provide an economic case to show why there is a need for next generation broadband.

The applicant should detail any experience they have in delivering similar projects or appropriate evidence of competency in this area.

4.2 Please indicate if you have undertaken any form of demand-registration activity that provides evidence of the scale of the problem or likely demand for this project.

The applicant should seek to evidence the scale of the problem being targeted and likely demand for new broadband services/infrastructure. Applications are more likely to be successful where they:

- can demonstrate evidence of demand and/or of the [poor] quality of service in their area. This might be in the form of some form of demand registration activity, surveys, or evidence obtained through the use of a speed checking facility like BLIMP (Broadband Line Information Monitoring Project www.blimpchecker.co.uk/index.html or similar).
- serve areas where there is demonstrable evidence of a market failure or local monopoly (see White and Grey area definitions below).
- are benchmarked against value-for-money and cost-effectiveness criteria based on independent research/analysis, e.g. The Government report '*An Assessment and practical guidance on next generation access risk in the UK*⁴.
- target demand from a variety of sources and have coherent plans to encourage further take-up of services by businesses and community groups after provision of the infrastructure?

5.1 Project costs/expenditure

What are eligible costs?

A grant can be given towards capital costs and/or revenue costs associated with the establishment (but NOT the ongoing maintenance) of a new service.

Receipts for eligible costs are required before RDPE grants are paid. Costs incurred before approval of the full project application are not admissible.

Three competitive and comparable quotes (unless the work or goods are of a specific or specialist nature that makes this unrealistic) are required to establish the project costs. It is unlikely that projects would be required to accept the lowest quote for goods or services if there is a sound commercial reason for choosing a higher-priced supplier.

⁴ available at <http://www.communities.gov.uk/publications/communities/assessmentngafinalreport>

If your project includes revenue cost items of £144,000 or more, or costs of building construction that exceed £3,600,000 you will probably need in due course to follow the EU procurement process.

Some larger and more complex projects may require specialist input into a development phase, for example to provide a site survey, test concepts and address technical issues. In such cases, these project development costs may be included, but can only be met if the project grant is subsequently approved.

Costs NOT covered by an RDPE grant include:

- costs associated with completing the Expression of Interest or subsequent RDPE application
- Costs incurred before approval of the full project application
- general running costs
- costs of purchasing other businesses
- costs of statutory compliance
- items for personal use unless linked to the purpose of the project
- HP and credit costs not repayable within the funding contract period
- reclaimable VAT
- ICT software support renewal fees
- interest and service charges on debts and other financing arrangements
- costs connected with leasing, such as the lessors' margin, interest, re-financing costs, overheads and insurance charges
- statutory costs such as planning, building regulation fees etc
- contingency costs

5.2 Project Funding

Projects that identify significant match funding will be more likely to succeed.

Where can the match funding come from?

All match funding must come from private sources such as private capital and/or bank financing. For this purpose, money from charitable sources (e.g. grant making trusts) is from the private sector. Other public funding such as central and local government funding is not admissible as match funding. **In particular, please note that projects funded through RDPE cannot be funded by any other EU Funds.**

"In kind" contributions may be considered as match funding where these represent a genuine cost and can be independently valued and verified but (and only as a guide) we would expect at least 80% of the match funding to be a financial contribution.

By way of example, financial contributions could come from:

- providers of communications or ICT services (e.g. for the use of the network)
- content providers who wish to be able to distribute their media on a subscription or pay as you go basis
- mobile phone companies wishing to extend their 3G footprint who need a fixed line network to connect their base stations
- cable companies wishing to extend their network coverage
- telephone operators
- connections to business parks and larger businesses (e.g. if replacing expensive leased lines)
- Private subscribers

The Expression of Interest should identify how much match funding is secured for your project and how much is still to be raised. Please also indicate the 'status': not yet applied for; applied for but not yet confirmed; or confirmed.

5.3 Where other public sector funding (e.g. from a local authority) is anticipated, a discrete element of the overall proposal should be identified and funded by that source. It should be alluded to in this section of the form but not included in the budget for the RDPE project. Please describe briefly any related or complementary proposed broadband activity which is NOT part of this RDPE project. How much will it cost, and who is paying?

6.1. Numbers and types of beneficiaries for the project

Applications can only be accepted on behalf of "eligible beneficiaries" as defined within Measure 321 of the RDPE. We require the Expression of Interest to indicate the numbers benefiting from the new service in the following categories:

- businesses
- community groups
- jobs created and safeguarded
- people in rural area
- public sector organisations

6.2. Does your target community currently have access to a reliable 2MBs broadband service?

Provide any evidence of the current quality of broadband provision. This might be from data captured through web-based 'speed checking' software; structured questionnaires or surveys; supporting documentation etc.

The applicant should be able to demonstrate and evidence poor service provision.

6.3 Is the project in a White or Grey area as defined by the EU?

Applicants need to show a demonstrable gap in broadband coverage and evidence that there are no plans for the gap to be addressed either by the market or as part of the Government's USC implementation programme?

See report: *Community Guidelines for the application of State aid rules in relation to rapid deployment of broadband networks*⁵

See report: *'An Assessment and practical guidance on next generation access risk in the UK'* available from the Communities and Local Government website^{6,7}

⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2009:235:0007:0025:EN:PDF>

⁶ <http://www.communities.gov.uk/publications/communities/assessmentngafinalreport>.

⁷ With grateful thanks to the Leicestershire Rural Partnership, East Midlands maps derived from the above report are available on <http://www.oakleaves.org.uk/uploads/354bdaea940e167964432326.doc> or <http://www.oakleaves.org.uk/uploads/354bdaf9ca841d2432907642.zip>

6.4 In April 2010, BT published plans to upgrade exchanges in the East Midlands. Is any part of your project located in these exchange areas?

Chesterfield, Coalville, Dronfield, Glossop, Hinckley, Long Eaton, Loughborough, Market Deeping, Market Harborough, Mickleover, Narborough, Oadby, Stamford, Stonegate, Sutton In The Elms, Swadlincote.

6.5 Has any other communication provider operating in your locality published plans to upgrade broadband services in the next three years?

Are you aware of any published plans by any communications provider in your locality to improve broadband provision in the next three years.

6.6 Does the proposed solution provide an upgrade path to faster Next Generation broadband?

Applications should (as an absolute minimum) provide all end users with more than the current UK national average download speed as determined by the industry regulator, Ofcom. This currently stands at 4.1Mbit/s⁸.

In assessing applications, consideration will be given to how the project supports the government's aspiration for *Britain to have the best superfast broadband network in Europe* and how it might support the European Commission's broadband aspirations in *Europe 2020* which calls for: *access for all to much higher internet speeds (30 Mbps or above) by 2020, and 50% or more of European households subscribing to internet connections above 100 Mbps*.

Applicants should explain how their project is compatible with NGA technology and usefully supports the transition to further speed improvements in the future.

The type of technology proposed will necessarily vary according to local conditions. The ability to future proof investment is an important factor – and the various technology options are ranked below according to their carrying capacity.

- Fibre to the Premises – Point to Point
- Fibre to the Premises – GPON or variants on sharing a fibre connection
- Fibre to the Cabinet
- ADSL and variants based on a copper access infrastructure
- Long Range Wireless
- Satellite

6.7 How does the proposed solution help the rural community? What would happen if the project did not go ahead? What would happen if you did not receive grant aid?

Applicants need to

- provide an economic rationale for intervention, explaining why this investment is needed at this location – direct & indirect benefits.
- describe the likely implications if the project were not to proceed.

⁸ Ofcom, *UK broadband speeds 2009* (28 July 2009., para.1.7 p8)

- articulate what would happen to the project if this funding were not available – are there other funding routes for the project?

6.8 How does this project demonstrate ‘value for money’? What outcome/impact will the project produce?

It is for applicants to explain how their project will achieve VFM, examples could include:

- provision of “open access” service/s – encouraging competition by offering consumers potential access to a selection of service providers;
- a clear future-proofing strategy – where solutions provide for a clear upgrade path and not lock-in users to proprietary technologies;
- are readily capable of replication elsewhere.

6.9 Why have you chosen this particular solution?

What do you see are the benefits from adopting this solution?

Explain how you arrived at this solution; have alternative options been assessed and/or costed; can you demonstrate that the approach taken is logical and robust?

6.10 Does the proposed solution offer consumers access to a selection of (broadband) service providers?

In line with EU guidance, solutions that enhance competition will be looked upon more favourably than solutions that limit competition.

FULL APPLICATION

You are not required to submit a full application with your Expression of Interest. You will only be invited to prepare and submit a full application if *emda* decides that your proposal, as described in your Expression of Interest, merits progression.

The full application will allow you to demonstrate fully the rationale and the long-term viability of the project with all underlying assumptions explained and substantiated. The application, while being appropriate to the scale and nature of the project, will be your opportunity to set out the case for the grant requested. To demonstrate that the project is realistic and financially viable it will need to include detailed financial information - including a 3-year forward cash flow for the project from the completion of the funding period. You will also be required to state an assumed take-up rate and therefore revenue income. *emda* will use the completed application to decide whether the proposal merits RDPE investment.

Please note that with your full application you will need to provide 3 quotes for all project costs, plus evidence that you have the ability to bankroll the whole project, as RDPE grant is only paid upon evidence of the defrayment of eligible costs.

Applications that are not offered RDPE grant due to lack of sufficient funds will be held on file and may be re-considered in the event that additional RDPE funding for rural broadband becomes available in future.

STATUTORY CONSENTS

It is the applicant’s responsibility to check with the relevant authorities whether your project requires approval, and to obtain the necessary consents and approvals at the

appropriate stage. It is recognised that Planning Permission and other statutory consents are unlikely to have been secured at expression of interest stage. Those expressions of interest invited to progress to full applications will need to indicate at that stage whether they have secured any or all required consents, but it is recognised that in the timescales concerned this may not have been possible. However, securing such consents will be needed before any grant payment can be made.

Further guidance

If you would like to discuss a potential Expression of Interest, please contact:
Lucy Pike (0115 988 8300) ruralbroadband@emd.org.uk

What are the timescales?

Mid July 2010	Call for proposals launched
13 September 2010	Deadline for receipt of Expressions of Interest
Mid September to mid October	Assessment of Expressions of Interest and requests for full applications
End November 2010	Deadline for receipt of full applications
December 2010	Announcement of successful project(s)

How do I apply?

Potential applicants are invited to:

- Download the expression of interest (EOI) form from www.emda.org.uk/rdpe or e-mail ruralbroadband@emd.org.uk to request a copy.
- Complete the expression of interest form referring to this guidance note.
- Submit one copy of the EOI form, by email to ruralbroadband@emd.org.uk
- Post a signed hard-copy version to:

Lucy Pike
RDPE Team
East Midlands Development Agency
Apex Court
City Link
Nottingham
NG2 4LA