Department for Digital, Culture Media & Sport

PROSPECTUS FOR LOCAL FULL FIBRE NETWORKS CHALLENGE FUND
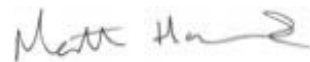
MINISTERIAL FOREWORD

World class communications are essential to ensure the UK's future prosperity. Faster and more reliable connections are transformational for the way we live and work. Better broadband supports businesses to grow and become more productive. Crucially for local public bodies, communities and business, improved connectivity enables the delivery of more efficient and cost effective, as well as more inclusive, public services. No longer is this a nice to have: it's a modern necessity.

Full fibre and 5G are the future. As well as completing the roll out of current technology, we want to support the development of the next generation of modern communications. In the Autumn Statement, we announced over £1bn of funding to stimulate further and faster roll-out of full fibre networks, alongside investment to take forward the next generation of mobile connectivity in all areas of the UK. This will cover rural as well as urban locations, and cover England, Scotland, Wales and Northern Ireland. As part of this, I am therefore delighted to be launching this £200m Challenge Fund under the Local Full Fibre Networks (LFFN) Programme.

We are releasing funding in waves. On 3rd September 2017, for Wave 1 we announced six test projects with up to £10m made available to help us shape the approaches we have outlined for the programme. We are learning from these projects, and are launching Wave 2, on 22nd November 2017 with invitations for local public bodies to apply for funding to deliver more local projects.

We're looking to a broad range of local bodies – Local Authorities, Combined Authorities, Local Enterprise Partnerships as well other local public / government bodies such as health, education or transport bodies. We will be looking for ambitious proposals that harness public sector connectivity and aggregate private sector demand to stimulate the market to build new and extend existing fibre networks.

Full fibre is the future. This programme will help us build it.

Matt Hancock

INTRODUCTION TO LFFN FUND

The LFFN Programme aims to stimulate commercial investment in full fibre networks across the whole of the UK landscape, including rural and urban locations in England, Scotland, Wales and Northern Ireland, by demonstrating approaches that encourage additional private investment and by making sustainable commercial deployments viable.

The LFFN Challenge Fund is a government capital grant programme of up to £200m with £190m remaining for competitive Waves, to help deliver the fastest and most reliable digital communications network available. Local bodies who can harness public sector connectivity and aggregate private sector demand to stimulate the market to build new and extend existing fibre networks in their local areas can apply to the Challenge Fund.

Funding will be awarded from the Challenge Fund to local bodies on a competitive basis.

This document sets out:

1 PURPOSE OF THE FUND

2 HOW THE FUNDING WORKS

3 TYPES OF PROJECTS THAT CAN BE FUNDED

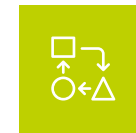4 WHO CAN APPLY FOR FUNDING

5 WHAT THE FUNDING IS FOR

6 HOW MUCH FUNDING IS AVAILABLE

7 TIMING AND PROCESS FOR APPLYING FOR FUNDING

8 CHALLENGE FUND EVALUATION CRITERIA

9 HOW THE EVALUATION PROCESS WILL WORK

10 WHAT INFORMATION YOU WILL NEED TO REPORT DURING THE PROJECT

11 WHERE YOU CAN FIND MORE INFORMATION ABOUT THE FUND AND THE SUPPORT AVAILABLE FROM DCMS

12 LEGAL NOTICES

ANNEXES

1 PURPOSE OF THE FUND

The LFFN Challenge Fund will be provided for projects that create the conditions for successful achievement of the strategic objective i.e. to stimulate more commercial investment to deliver more gigabit capable connectivity and both of the Programme's delivery objectives:

1   Directly maximising the availability and benefit of gigabit capable broadband services to public sector, business and residential users

2   Improving commercial investment conditions, in local areas e.g. improve the business case for the market to provide more gigabit capable broadband

The projects should enable gigabit capable connections to key public buildings[1] and/or businesses, with the expectation that this leads to operators creating additional points of connection and access networks available to additional local premises. Projects should therefore be planned and delivered in ways that improve the viability

for suppliers to make commercial investments in full fibre in your local area, by:

- Improved accessibility to, and use of existing infrastructure and public assets to bring homes and businesses, not currently within scope for commercial investment, within reach of fibre connection points, to reduce the cost of connecting those homes and businesses to fibre, or other gigabit capable infrastructure

- Building additional fibre access points to extend backhaul and access networks, to provide capacity for connecting additional full fibre deployments in housing and business areas, and to support deployments of 5G masts and base stations

- Adopting best practices locally e.g. using available levers and better approaches such as with highways, planning, offering of wayleaves, and better demand aggregation

- Providing a demand-side stimulus e.g. through the use of gigabit vouchers

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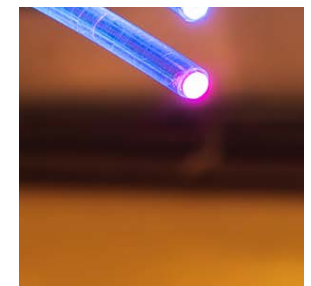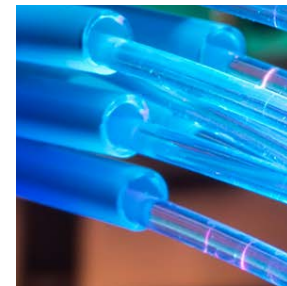
[1] A public building for the purposes of this Challenge Fund is a building which is owned or inhabited by central or local government, or any other local public body, and is used to administer and/or deliver public services or is used by members of the public to access public services

2 HOW THE FUNDING WORKS

The Challenge Fund will operate on a competitive basis, with projects selected on merit against the selection criteria set out in section 8 ('Challenge Fund evaluation criteria') of this document and in the application template.

The funding will be released in Waves and local bodies can apply for funding as each Wave is announced including for additional funding to grow an existing project over future Waves. Local bodies can only submit one funding request per Wave using one or more of the four delivery methods.

Successful project applications will be given an allocation of funding for their supply-side approaches, but because vouchers are a demand-led delivery method, funding for this element of the Programme will be managed by DCMS in a central voucher funding profile and will not be allocated to individual projects.

DCMS expects the voucher scheme and funding to operate using the same design principles in all locations.

Unsuccessful applications can be re-submitted in later Waves of funding and DCMS can provide feedback to help local bodies with subsequent applications.
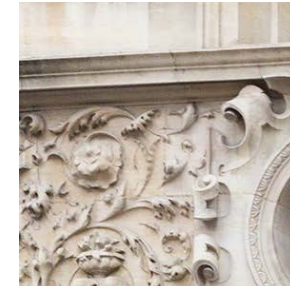
3 TYPES OF PROJECTS THAT CAN BE FUNDED

The LFFN Programme will support projects which make a significant difference to the deployment of full fibre networks in the UK, using one or more of four delivery methods.

Public Sector Anchor Tenancy	DCMS support for the strategic procurement of fibre connectivity for multiple locations (where the public sector body is the long-term 'anchor' tenant) which creates additional fibre infrastructure in the region. This may include multiple public sector agencies. This approach may involve the separation of infrastructure provision from the delivery of services
Gigabit Voucher Scheme (GbVS)	The operation of a business voucher scheme which helps businesses (or clusters of businesses) buy gigabit capable connectivity, and anticipates the operator may subsequently extend the fibre 'footprint' to surrounding premises
Public Sector Building Upgrade	Direct tactical funding of connectivity using full fibre to specific public sector locations, where the costs of doing so cannot be met using existing business cases, and where the deployment of fibre extends the fibre 'footprint' to surrounding premises
Public Sector Asset Reuse	Support for capital costs associated with the re-use or development of public sector infrastructure assets (for example CCTV duct networks) to increase the commercial availability of fibre networks and extend the reach of backhaul or other services

We encourage bids which use these delivery methods in combination where a local body can coordinate the location and timing of these methods to increase the overall attractiveness for an operator to invest in an area.

We expect to see proposals which link the use of Vouchers to other delivery methods, or to relevant projects which take place without direct support from the LFFN Programme.

We expect to support projects that use at least one of the four delivery methods in Wave 2. We remain open to assessing the demand for other relevant capital investment initiatives you may wish to suggest, where these clearly support the Programme's aim of making full fibre networks available further and faster and which also lever, or encourage, other parties to invest. If there is demand for suitable alternative delivery methods we will aim to include these within the scope of future Waves of funding. We would, however, welcome in Wave 2 complementary investment in related technologies such as 5G Trials and

Testbeds[2]. The LFFN Challenge Fund application should only include funding for the LFFN infrastructure element of any combined approach.

Local bodies may have access to a range of other sources of capital funding, which they could use to enhance their proposals. For example, some may have access to existing or upcoming City Deal funding, while those in Scotland[3], Wales[4] or Northern Ireland may be able to include support offered by their Devolved Administrations. In England, regional support through bodies such as the Midlands Engine, Northern Powerhouse and Local Enterprise Partnerships (LEP) may offer opportunities. In addition, DEFRA have recently announced support for rural broadband through their Rural Development Programme for England programme[5]. Local bodies should however be aware that they cannot use LFFN funding to support non-LFFN projects.

In addition to harnessing these four delivery mechanisms, we want local bodies to create the

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[2] www.gov.uk/government/uploads/system/uploads/attachment_data/file/652263/DCMS_5G_Prospectus.pdf
[3] beta.gov.scot/policies/digital
[4] gov.wales/funding/?lang=en
[5] www.gov.uk/government/news/200-million-boost-for-rural-england

conditions for successful achievement of the programme objectives and enhance the business case for local full fibre networks deployment by pursuing approaches to highways, streetworks, wayleaves and planning that reduce network operators' deployment costs.

In order to achieve our key strategic objectives, we want to support those projects which are most likely to indirectly stimulate further commercial investment in full fibre. However local bodies should only undertake procurements and enter into contracts to meet their direct needs e.g. the provision of fibre connections to in-scope public buildings.

Local bodies should note the difference between:

a   This Challenge Fund, which aims to stimulate commercial investment in full fibre by providing full fibre connectivity to public buildings and/or a demand-side stimulus through the deployment of gigabit vouchers

b   Previous Government Superfast funding (which was about subsidising investment in superfast broadband)[6]

This fund will not support proposals to subsidise further roll out of superfast broadband to residential or business users.

The LFFN Programme has already launched a small number of projects (Wave 1) in order to initiate some early delivery for the programme and to develop an understanding of the deliverability and effectiveness of the delivery methods.
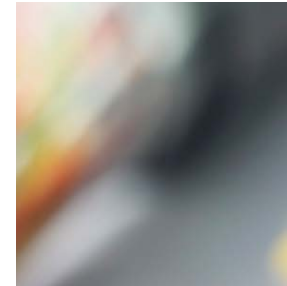
■   **More information can be found in Annexes 4, 5, 6 and 7**

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[6] *The Superfast Broadband funding programme involved local bodies procuring broadband coverage and speed outcomes from a private sector supplier with Government providing funding to local bodies as a contribution to the payments made to the supplier*

4 WHO CAN APPLY FOR FUNDING

Applications may come from any public sector body, or group of public bodies in the UK.

This includes all tiers of local government and other public sector bodies, for example NHS Clinical Commissioning Groups.

We particularly welcome collaborative proposals which cover wide geographical areas that cut across local authority boundaries, for example matching a LEP footprint, or Combined Authority areas.

We would also like to see applications from Public Sector Partnerships, for example those which bring together the combined buying power of local government, health and education.

For multi-partner applications, one local public body should be identified as the lead for the delivery of the project, acting as the administrative body for the funding agreement on behalf of all the partner organisations. The nominated lead will be the recipient of the funding and managing the relationship with other partner organisations.

5 WHAT THE FUNDING IS FOR

The funding available to local bodies through the LFFN Programme is exclusively capital funding, which can only be used in line with accepted government accounting practices.

Projects should be new or, alternatively, should be able to clearly show what added benefit or activity is happening as a result of LFFN Challenge Funding. LFFN funding cannot be used to substitute other sources of funding which would otherwise have been used to fund projects and cannot be used in locations where the market is already building or planning to build full fibre connections.

In summary, in order to consider applying for funding, local bodies must:

- Require grant funding to deliver gigabit capable infrastructure across the UK, by stimulating greater and faster roll out of full fibre networks

- Provide strong evidence that funding will support a project which is 'additional' i.e. it will fund activity which cannot otherwise be funded through another route

- Support delivery of an up to date, viable plan using delivery methods which clearly support the Programme's aims

- Have support locally (including senior management and political leadership)

- Spend and claim funding by 31st March 2021

Local bodies are not required to match the LFFN capital funding. However, in our assessment we recognise that the strength and value of the Economic case is likely to increase where local bodies are able to provide additional funding from other sources.

Local resources for the delivery of the project will need to be funded by the respective local bodies.
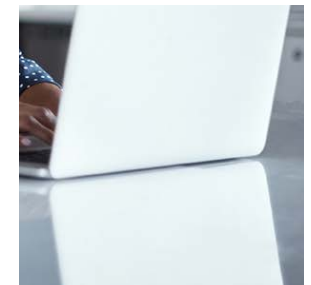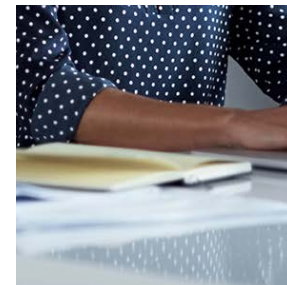
6 HOW MUCH FUNDING IS AVAILABLE

The Programme currently has access to £200m of the £738m National Productivity Investment Fund, with £190m remaining after Wave 1 projects. The Challenge Fund is available in multiple Waves from 2017-2021 and all programme funding must be spent and claimed by 31st March 2021.

DCMS envisages providing funding for up to 15 Wave 2 projects to a combined value of up to £75m – including one, or two larger multi-authority applications. For Wave 2 we reserve the right to make a further £25m funding available if a significant number of high scoring applications are received, but also to cap the DCMS funding contribution to £25m per application.

A minimum threshold may also be imposed if the administrative overhead is considered too high compared to the value of the project. We also reserve the right to request applicants to reconsider and submit revised funding applications as part of the application assessment, evaluation and due diligence processes.

DCMS anticipates that at least one project will be funded in each of the four nations of the United Kingdom i.e. England, Northern Ireland, Scotland, Wales. Multi-authority applications are welcome and we recognise that these are likely to have a larger combined funding requirement and could deliver enhanced value to a region. Projects that are not funded in Wave 2 can (re)apply for funding as part of future Waves.

DCMS may decide not to allocate all of the £190m. It is also possible, however, that additional funding from the National Productivity Investment Fund may be made available. This decision would be based on the relative success of earlier projects.

DCMS will regularly review the progress and metrics from projects, to examine the effectiveness of the programme and the delivery methods. In advance of launching each new Wave of the Challenge Fund, we will consider whether it is necessary to change the level of financial support to projects, or for the individual delivery methods. This may result in either increases or decreases in the planned funding allocation, or even ceasing financial support for further projects and/or delivery methods. All changes would be reflected in an updated Challenge Fund prospectus, guidance and accompanying evaluation criteria.
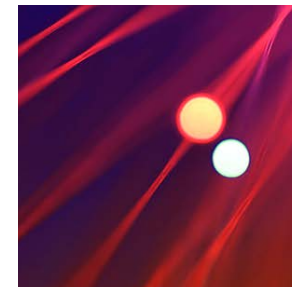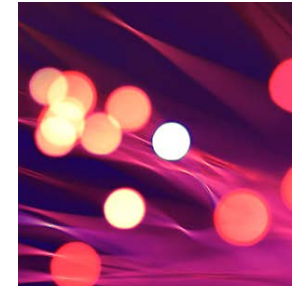
7 TIMING AND PROCESS FOR APPLYING FOR FUNDING

The Challenge Fund will **open with Wave 2 in November 2017**, further Waves will be announced later. The LFFN Programme will **close on 31st March 2021** by which time all LFFN funding will need to have been spent and claimed.

DCMS wants local bodies to demonstrate a high level of readiness within their application. Applications that do not demonstrate a high level of readiness or are incomplete will not be successful. We therefore recommend that local bodies defer to a later Wave if they are not ready.

Those projects which are funded through Wave 2 of the Challenge Fund will be expected to work with DCMS and other funded projects to develop the LFFN Programme and its associated projects. Later projects will benefit from the use of the documentation and methodologies which have been developed by, and lessons learned from, earlier projects.

Local bodies have until the 26th January 2018 to apply for Wave 2 funding. DCMS expects to evaluate the projects and make a selection before 31st March 2018.

The indicative timetable for Waves 2 and 3 is set out below:

Task	Date
Launch Challenge Fund and open to applications for Wave 2	**22nd November 2017**
Wave 2 applications close	**26th January 2018 (5pm)**
Evaluation and selection of Wave 2 projects	**January – March 2018**
Wave 2 projects notified	**March 2018**
Challenge Fund open to applications for Wave 3	**Spring 2018**
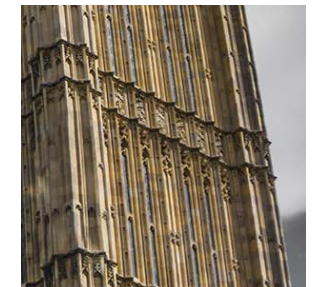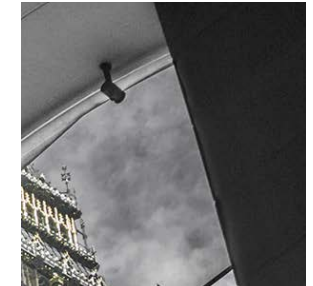
Task	Date
Wave 3 applications close	**Summer 2018**
Evaluation and selection of Wave 3 projects	**Autumn 2018**
Wave 3 projects notified	**Autumn 2018**
There may be one or more subsequent Waves	**To be confirmed**
Programme closes	**31st March 2021**

Applications for Wave 2 should be sent to LFFN@culture.gov.uk by 5pm on the 26th January 2018 and should consist of completed application documents (see Challenge Fund Guidance and Application Form Part 1 and Part 2).
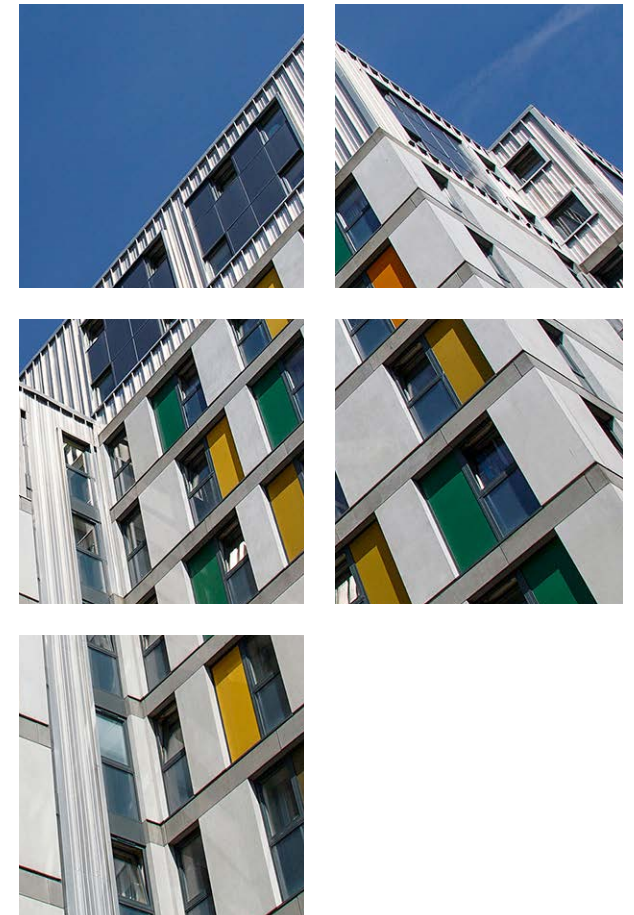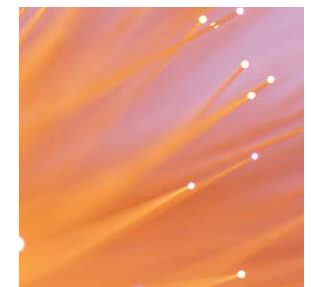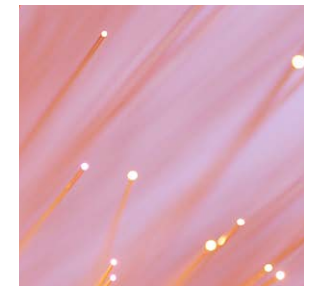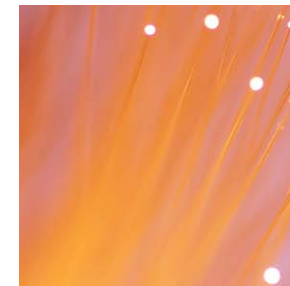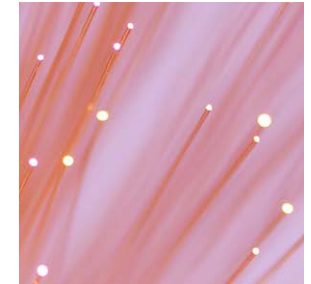
8 CHALLENGE FUND EVALUATION CRITERIA

Local bodies will be required to complete an application form which is based on the HM Treasury five case model.

Project funding applications should address the evaluation criteria below, including how they will use one or more of the delivery methods (outlined in section 3 'Types of projects that can be funded' section of this document) to achieve the LFFN Programme objectives.

Eligible applications will be assessed[7] on how well they meet the following criteria:

LFFN Challenge Fund evaluation criteria	Weighting
Strategic case	**20%**

- Clear and deliverable project scope

- Alignment with local body's digital infrastructure planning (see Annex 3) and wider local plans / strategies e.g. plans for transformation of public services and economic development, and extent of political support

- Alignment with LFFN objectives (as described in section 1 'Purpose of the fund')

- Cooperation and alignment with other local public sector bodies relevant to the project

- Local approach to highways, planning, wayleaves etc. and commitment to optimising the local environment to improve digital infrastructure

- Commitment to engage with UK Government's Barrier Removal Taskforce in identifying and implementing policies to reduce barriers to commercial investment

- Knowledge of current digital infrastructure environment

- Diversity of existing operators and evidence of demand for new services and of commercial interest to invest in the area from network operators

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[7] For more detail on the assessment process please see section 9 'How the evaluation process will work'

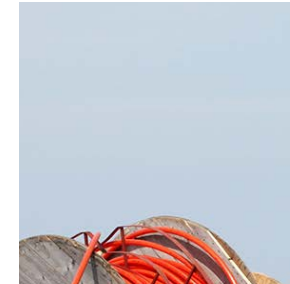| LFFN Challenge Fund evaluation criteria	Weighting
Economic case	**30%**

– Delivery of project outputs:

  • Increase the number of premises likely to be connected to the gigabit capable infrastructure as a result of the LFFN build (either premises passed or premises closer to fibre by type; business / public sector / home)

  • Increase the number of premises directly connected with gigabit capable infrastructure by business (SMEs) / public sector / home

– Value for money and additionality of LFFN funding i.e. it will fund activity which cannot otherwise be funded through another route

– Robustness of the underlying assumptions and data used to develop the Economic case

– Specifically identified locally specific economic and other benefits of the project e.g. regeneration

| **Commercial case** | **12.5%** |

– Understanding of the local market for gigabit capable infrastructure in terms of current and planned deployment within 3 years

– Level of engagement with operators, SMEs, landlords and communities

– Clear articulation and appropriateness of local body procurement strategy for this project
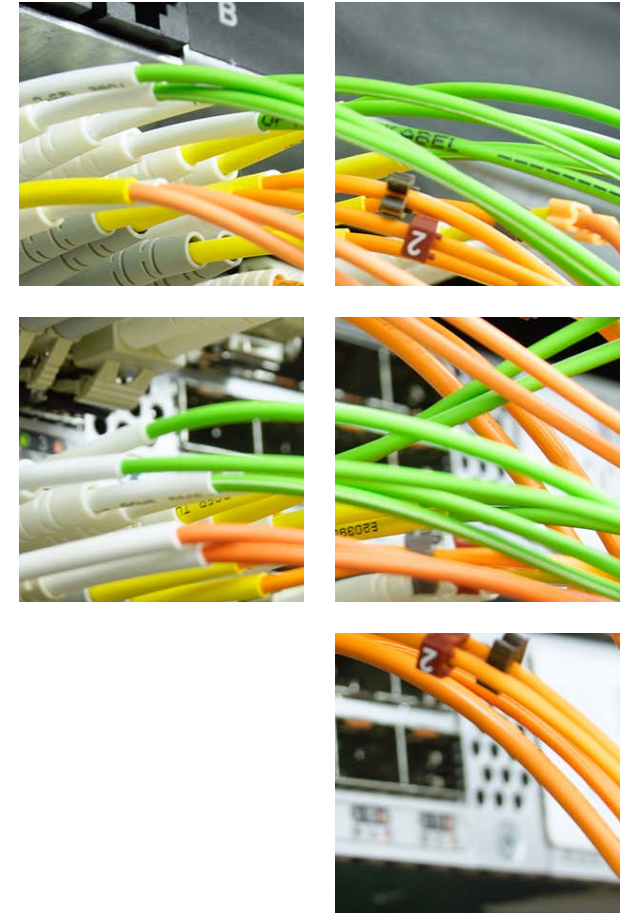
LFFN Challenge Fund evaluation criteria	Weighting
Financial case	**12.5%**
– Robustness and comprehensiveness of financial data supplied	
– Level of additional funding or other contribution leveraged by LFFN funding	
Management case	**25%**
– Speed to initiate project	
– Level of preparedness i.e. budget, resourcing, project management, governance	
– Confidence in delivery e.g. quality and credibility of implementation plan, understanding and treatment of risks, approach to benefits management, appropriate resourcing, track record	
– Evidence of local support (senior management and political leadership of local bodies and partner organisations) and wider stakeholder engagement	

The prioritisation and weighting of these criteria will be re-assessed ahead of the opening of each subsequent Challenge Fund Wave, and may be changed based on the latest evidence from the previous projects.

Local bodies should submit applications that will deliver a clearly defined project, demonstrating how the project will deliver the LFFN Programme objectives. Applications should **not** offer a range of options with different levels of funding attached to each option.

9 HOW THE EVALUATION PROCESS WILL WORK

The diagram below provides an overview of the LFFN Challenge Fund Evaluation process:

| Applications received, logged, checked for completeness and initial assessment | Full assessment | Moderation | DCMS panel |

Evidence of local / political support

Evidence of mapping

Evidence of supplier engagement

Evidence of capital only funding spent and claimed by March 2021

Evidence of State aid understanding and steps to ensure compliance

Full assessment of the application (business case, including Economic case and Financial case template)

This may include clarification questions, interviews and/or site visits

All completed applications will be subject to an Initial Assessment to check whether as a minimum they have demonstrated the following:

- Evidence of local / political support i.e. all signatories as requested in the application

- Evidence of having undertaken relevant mapping exercises i.e. appropriate maps appended to the application

- Evidence of having engaged with suppliers in order to document a clear understanding of the current footprint and future plans

- Confirmation that DCMS funding in the project plan is limited to capital spending before March 2021

- Confirmation of awareness of State aid implications as described in Annex 8 and that steps will be taken to ensure compliance with State aid rules

All applications that meet the minimum requirements listed above will be taken forward to Full Assessment.

Full Assessment will involve assessment of the application against the evaluation criteria (see section 8 'Challenge Fund evaluation criteria').

Applications can receive a maximum of 100 points. Scores will be awarded for the responses to each question included in the application form, based on the extent to which the response meets the applicable evaluation criteria and the completeness, robustness and comprehensiveness of the response.

In order to be considered as a project which can be funded through Wave 2 the total points awarded for the responses to the questions in each case must meet or exceed a minimum threshold score. The table below sets out the maximum points available and minimum threshold score for each case.

Case	Maximum points available	Minimum threshold score
Strategic case	20	8
Economic case	30	12
Commercial case	12.5	5
Financial case	12.5	5
Management case	25	15

The table below sets out the maximum score for the response to each stated question in the application form (please see Challenge Fund Guidance and Application Form Part 1 and Part 2 for more details):

Case	Section	Maximum points
Strategic case	A1 – Strategic context	7
	A2 – Current environment	6
	A3 – Scope of project	7
		20
Economic case	B1 – Economic case template	15
	B2 – Economic case narrative	7.5
	B3 – Economic case assumptions	7.5
		30
Commercial case	C1 – Market engagement	7.5
	C2 – Procurement strategy	5
		12.5
Financial case	D1 – Funding requirements – template	5
	D2 – Funding requirements – supporting information	7.5
		12.5
Management case	E1 – Project management, resourcing	12.5
	E2 – Stakeholders	5
	E3 – Project plan	5
	E4 – Risk management / log	2.5
		25
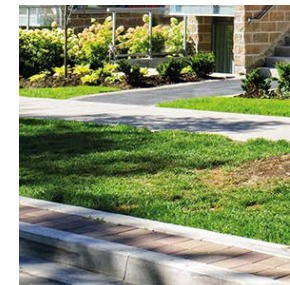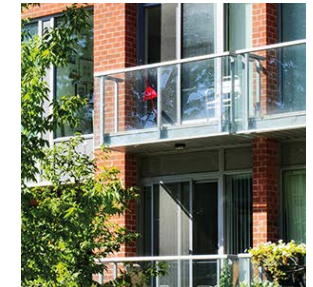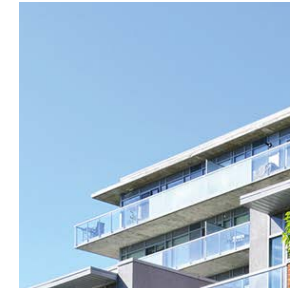
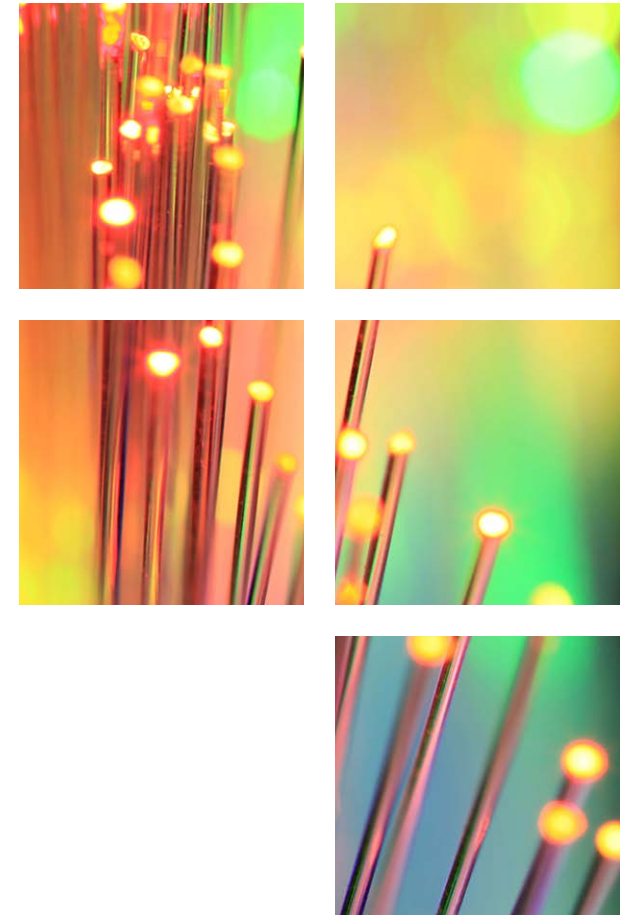## Key principles for the assessment of LFFN applications

With the exception of section B1 each section will be scored based on a ranking from 0-5, with 0 being the lowest and 5 being the highest score.

Points will be calculated for each section based on the following formula:
Awarded points = (awarded score divided by 5) multiplied by maximum available points for each section.

The total points awarded to an application will be calculated by adding up the points awarded for each individual section. The table below sets out the indicators used to assess the response with the aim of determining a particular score for each section:

LA score	Indicators
0	– No response provided or the response is not relevant to the question
1	– The response fails to meet the relevant evaluation criteria – The response is largely incomplete, largely incomprehensive, inconsistent with other proposals and/or unclear – The response does not provide robust evidence and/or supporting analysis in support of claims made and/or figures provided by the applicant
2	– The response is adequate in light of the relevant evaluation criteria – The response is adequate but is incomplete and/or incomprehensive and/or inconsistent and/or unclear in a number of material respects – The response provides adequate evidence but there are a number of material gaps in the evidence and/or supporting analysis in support of claims made and/or figures provided by the applicant

LA score	Indicators
3	– The response meets the relevant evaluation criteria in some respects but a number of issues exist – The response is broadly complete, comprehensive, consistent and clear but a number of issues exist – The response broadly provides robust evidence and/or supporting analysis in support of claims made and/or figures provided by the applicant but a number of issues exist
4	– The response meets the relevant evaluation criteria in most respects apart from one or two minor aspects – The response is complete, comprehensive, consistent and clear in most respects except one or two minor issues – The response provides robust evidence and/or supporting analysis in support of claims made and/or figures provided by the applicant except one or two minor issues
5	– The response meets the relevant evaluation criteria in all respects – The response is complete, comprehensive, consistent and clear in all respects – The response provides robust evidence and/or supporting analysis in support of claims made and/or figures provided by the applicant in all respects
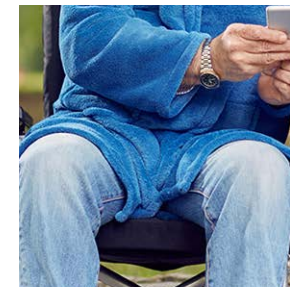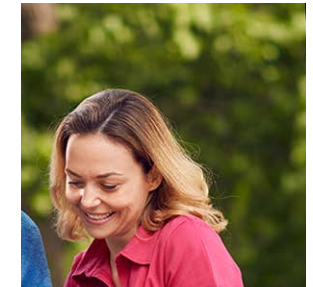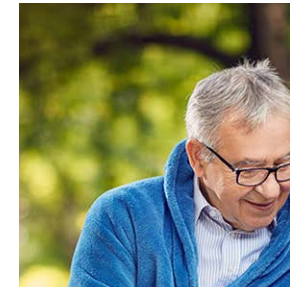
Supplementary guidance and information is available with the Economic case and Financial case template.

All applications that meet all minimum threshold scores will be ranked based on the total points scored for the application as a whole.

As part of this assessment we would expect to issue clarification questions and we may ask to interview key officers from the local body. The level of due diligence applied will be proportionate to the level of funding requested and DCMS' assessment of the level of risk attached to the project.

A moderation panel will review the scores and application assessments to ensure consistency and

then recommend projects to the LFFN Programme Board. We estimate that 15 projects will be recommended for Wave 2 funding.

The Programme Board will then consider projects recommended by the moderation panel for approval to be funded.

All successful and unsuccessful applicants will be notified following the DCMS Panel.

Where a local body has been unsuccessful, then we can provide guidance and feedback and would welcome local bodies to re-apply in a subsequent Wave.
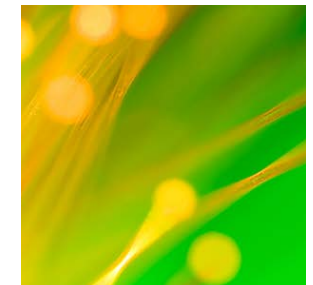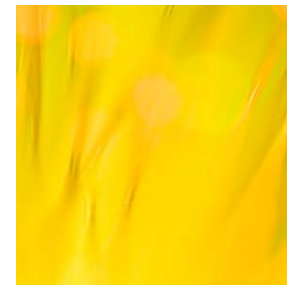
10 WHAT YOU WILL NEED TO REPORT DURING THE PROJECT'S IMPLEMENTATION

We will issue Grant Agreements to local bodies when projects move into their implementation phase.

We require local bodies to be willing to partner with the LFFN Programme e.g. share data, help develop templates and disseminate lessons learned to other local bodies, to improve outcomes for subsequent waves.

We will monitor the progress of projects against agreed milestones by undertaking assurance reviews at a number of checkpoints e.g. at application evaluation, project planning, launch, and project completion, to assess progress against the overall business case for the programme. Each project will be obliged to provide reports and relevant evidence to demonstrate progress against agreed milestones. Your funding for the project is contingent on continuing to meet the conditions in the Grant Agreement.

The assurance process aims to ensure that the £200m investment in the LFFN Programme is spent to maximise achievement of the objectives of the Programme and provides value for money.

DCMS will test the extent to which projects achieve key outcomes such as:

- Increases in the number of 'premises connected' to gigabit capable broadband services

- Increases in the number of 'premises passed' by gigabit capable broadband services

- Improvements in backhaul availability (decreased distance to existing gigabit capable broadband services)

We also expect local bodies to develop their own internal assurance procedures.

DCMS welcomes local bodies willing to undertake their own evaluation of the local impact and benefits of their digital projects or programmes (where these include LFFN). These are valuable for local bodies to understand what the full project or programme at the local level has achieved, and where LFFN has contributed to this.

Local level evaluations will help DCMS to understand the full impact of digital policy and
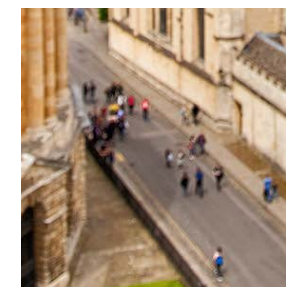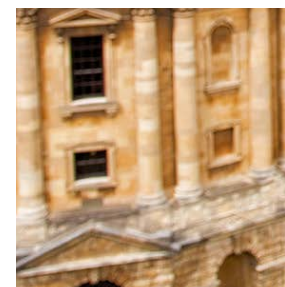
programmes, and as such would welcome the opportunity to work with local bodies to develop any local evaluation plans, including helping activity and outputs align and feed into the DCMS LFFN Programme wide evaluation.

To facilitate this DCMS would also require early sight of the outputs and conclusions of these evaluations, any recommendations made and implemented, and sharing of the final report.

Regardless of intended local evaluation activity, where a local body intends to undertake a Public Sector Anchor Tenancy, Public Sector Asset Reuse or Grants to Public Buildings, they will be required to provide local area baseline measures before the LFFN deployment starts. The minimum requirement for these are detailed in the LFFN shared Google Drive[8]. At an early stage of project development these should report only

the best available information, where known and is intended as soft market testing to demonstrate awareness of the plans of large infrastructure suppliers in your region e.g. lightning build, BDUK, openreach G-fast. By the point of LFFN deployment / go live it is expected that these should have been firmly established as the project baseline through project development.

The local area baseline may be established through your own evaluation, and even where not, will provide useful local measures for understanding potential effects and benefits of digital projects or programmes (inclusive of LFFN).

Structured support, incorporating lessons learned, will also be provided to local bodies throughout to ensure that projects are progressing and that they are prepared for checkpoint reviews.

■ **See Annexes 1 and 2 for more information on the role of local bodies and role of the central programme**

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8 *Access to the LFFN shared Google Drive will be restricted and made available to local bodies by request via the LFFN@culture.gov.uk mailbox*
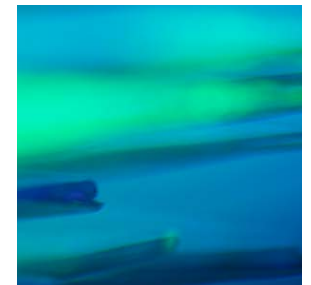
11 WHERE YOU CAN FIND FURTHER INFORMATION AND SUPPORT

We intend to hold a number of applicants' workshops in various locations over the coming months. These sessions will be aimed primarily at local body representatives preparing applications. They will provide guidance on developing applications and seek to address likely areas where it is anticipated that local bodies will require support, such as data collection, mapping, phasing of funding, State aid and sourcing strategies.

More detail about the dates and venues will be available on **www.gov.uk/guidance/broadband-delivery-uk**

Futher information relating to the application process, including frequently asked questions, guidance and the application form templates will be made available by DCMS.

Where a local body has been successful in its application into the Challenge Fund, the LFFN Programme will:

- Provide support to prepare the project to enter into the LFFN Programme governance and project assurance approach

- Facilitate the sharing of materials, experiences and best practice between local bodies e.g. 'barrier busting' good practice

- Provide expert support e.g. commercial advice, as required to individual projects

- Act as a liaison point with industry, and provide co-ordination at a national level from a programme perspective to ensure that the LFFN objectives are achieved

- Engage a local project support team for the purposes of the above

If you have any questions about this guidance, including clarification on the information and requirements for applications, you can submit queries to the LFFN mailbox at **LFFN@culture.gov.uk** with your contact details (telephone and email address). We will respond by email or telephone.

Local bodies considering an application can also register their interest in the programme at **LFFN@culture.gov.uk**. If local bodies have already submitted an Expression of Interest to the LFFN Programme and the contact details remain the same, then this is not necessary. Local bodies who did not previously submit an Expression of Interest are advised to register their interest so that we can communicate with you about the programme in the future.
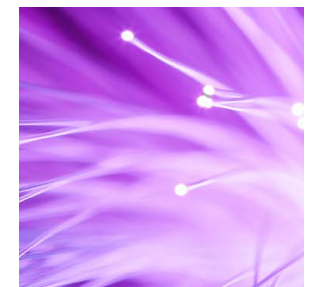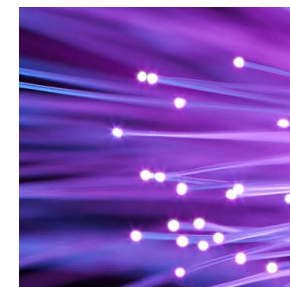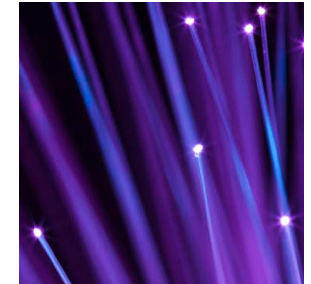
LEGAL NOTICES

Confidentiality

Subject to the provisions below DCMS will not disclose any information which has been provided to it by any applicant in connection with the LFFN Programme and designated by that applicant as confidential.

DCMS may disclose any information relating to any proposal or other information provided in response to this prospectus or in connection with the LFFN Programme to (i) any member, director, officer, employee or agent of DCMS or BDUK or any person acting as an adviser or consultant to DCMS or BDUK; and (ii) any other part of the UK government.

DCMS also reserves the right to disseminate information that is materially relevant to all applicants, even if the information has only been requested by one applicant. Should applicants wish to avoid such disclosure (for example, on the basis that the request contains, or the likely response will contain, commercially confidential information or may give another applicant a commercial advantage) the request must be clearly marked

'In confidence – not to be circulated to other applicants' and the applicant must set out the reason or reasons for the request for non-disclosure to other applicants. DCMS will act reasonably regarding the protection of commercially sensitive information relating to the applicant subject to its duties under all relevant legislation including the Freedom of Information Act 2000 ('**FOIA**') and the Environmental Information Act 2004 ('**EIR**').

Applicants must not disclose any information which has been provided to them by DCMS or BDUK in connection with the LFFN Programme and designated by DCMS or BDUK as confidential or which ought reasonably to be treated as being confidential, save that applicants may disclose such information to any third party for the purpose of developing their applications (after having obtained a similar obligation from that third party to treat such information disclosed as strictly confidential).

Freedom of information

DCMS may be required to disclose information submitted by applicants to DCMS or BDUK under the FOIA or the EIR. In respect of any
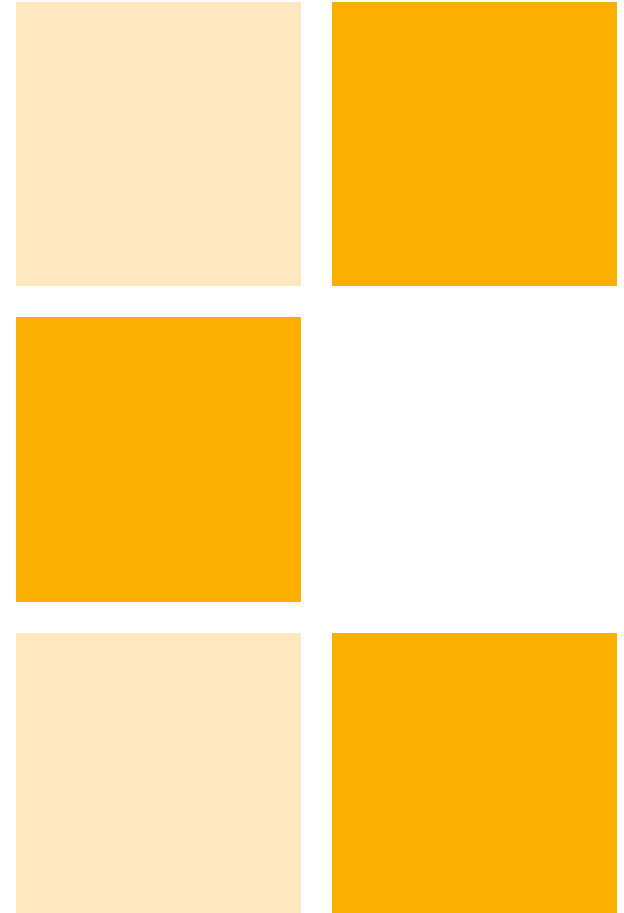
information submitted by an applicant that the applicant considers to be commercially sensitive the applicant should identify such information as commercially sensitive and explain the potential implications of disclosure of such information.

Where an applicant identifies material as commercially sensitive, DCMS will endeavour to maintain confidentiality. Applicants should note that even where information is identified as commercially sensitive DCMS may be required to disclose such information in accordance with the FOIA or the EIR and the final decision to disclose shall sit with DCMS. If an applicant receives a request for information under the FOIA or the EIR in connection with the LFFN Programme, this should be immediately passed on to DCMS and the applicant should not attempt to answer the request without first consulting with DCMS.

Intellectual property
All intellectual property rights in any information contained or referred to in this prospectus, the application form, any associated guidance and any other document made available by DCMS to any applicant in connection with the LFFN Programme or the Challenge Fund ('**Challenge Fund Documentation**') shall remain the property of DCMS and/or relevant third parties, and the applicants shall not obtain any right, title or interest therein.

All Challenge Fund Documentation supplied by DCMS must be returned on demand, without any copies being retained.

Personal data
DCMS and the applicants shall comply with the Data Protection Act 1998 and all other data protection laws to the extent necessary under those laws. The applicants shall comply with any additional data protection procedures notified by DCMS and ensure that all fair processing notices have been given and/or, as applicable, consents are obtained to enable DCMS to process the relevant data for the purpose of the application process including the administration and evaluation of the applications.
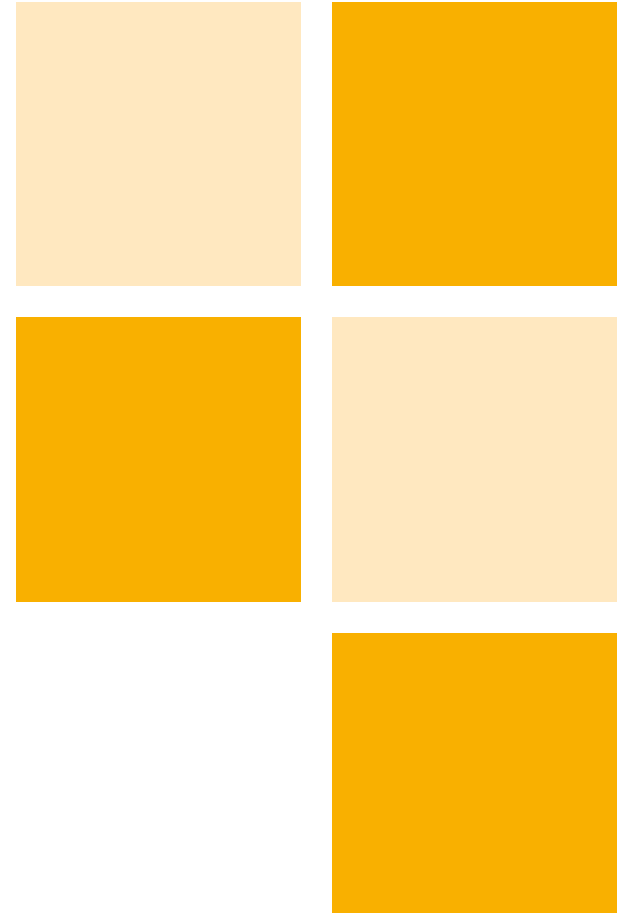
DCMS shall be entitled to require the applicants to comply with such additional provisions as DCMS may reasonably determine to be necessary in order to enable DCMS and the applicants to comply with their respective obligations under Regulation (EU) 2016/679 of the European Parliament and of the Council of 27th April 2016 on the protection of natural persons with regard to the processing of personal data and repealing Directive 95/46/EC (General Data Protection Regulation) OJ L 119/1, 4th May 2016 on and from 25th May 2018.

Publicity

No applicant will undertake (or permit to be undertaken) at any time, any publicity activities with any section of the media in relation to the Challenge Fund Documents, the application process or the LFFN Programme without the prior written agreement of DCMS (including as to the content of any such publicity). In this paragraph 'media' includes (without limit) radio, television, print, newspapers, trade and specialist press, the internet and email or mobile content accessible by the public.

Costs

Applicants must obtain at their own responsibility and expense, all information necessary for the preparation of applications and all future stages of the application process. Applicants are solely responsible for the costs and expenses incurred in connection with the preparation and submission of their applications and all other stages of the selection and evaluation process. Under no circumstances will DCMS or any of their advisors be liable for any costs or expenses borne by the applicants or their contractors or advisors in this process.

Disclaimer

Whilst the material in the Challenge Fund Documentation has been prepared in good faith, it does not purport to be comprehensive nor has it been independently verified.

Neither DCMS nor its advisors, their respective directors, officers, members, partners, employees, other staff or agents makes any representation or warranty (express or implied) as to the
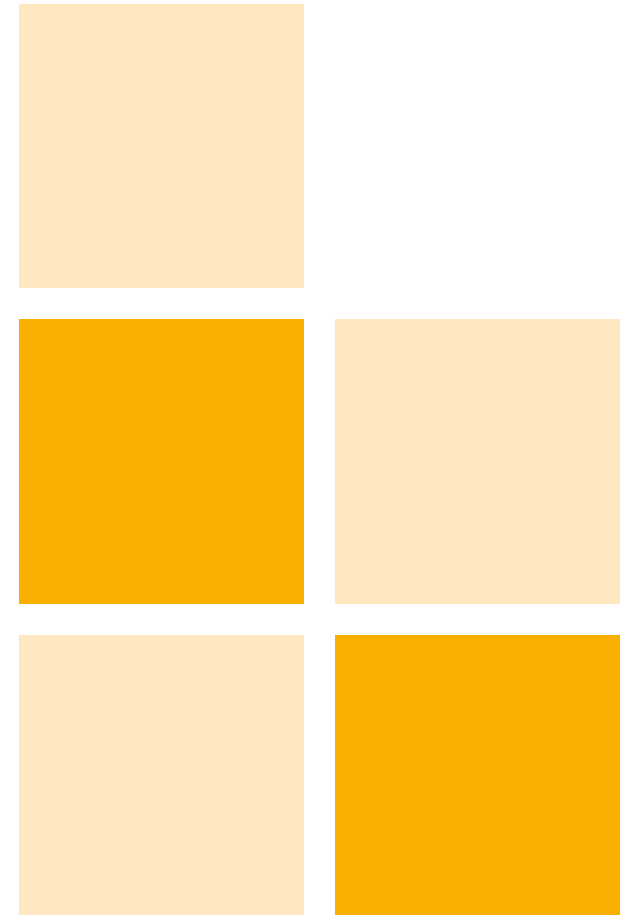
accuracy, reasonableness or completeness of the information provided in the Challenge Fund Documentation or accepts any responsibility for the information contained in the information or for their fairness, accuracy or completeness of that information and nor will any of them be liable for any loss or damage (other than in respect of fraudulent misrepresentation) arising as a result of reliance on such information or any subsequent communication.

Any persons considering making an application and subsequent decision to enter into relevant Challenge Fund arrangements with DCMS following receipt of the Challenge Fund Documentation should make their own investigations and their own independent assessment of DCMS and its requirements and should seek their own professional financial and legal advice.

Canvassing

Any applicant who directly or indirectly canvasses any officer, member, employee, agent or consultant of DCMS concerning the operation of the Challenge Fund will be disqualified.

Right to cancel or vary the process

DCMS reserves the right to amend the terms of the application process, cancel the application process at any stage, and/or require any applicant to clarify its application in writing and/or provide additional information. Failure to respond adequately may result in the relevant application not being selected for funding.
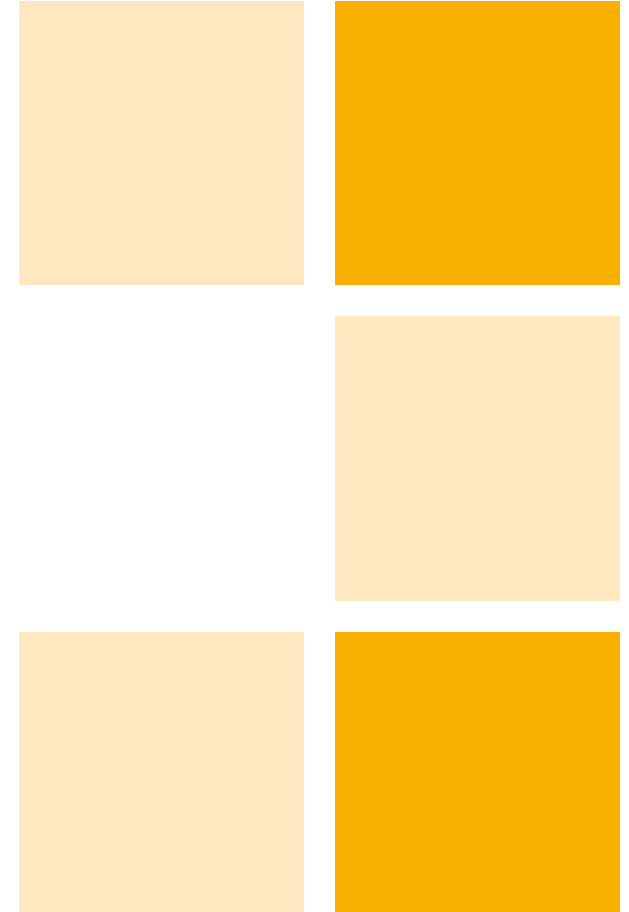
ANNEX 1 – ROLE OF LOCAL BODIES

To deliver a successful project, local bodies will be responsible for:

- The development of local Digital Infrastructure Plans (see Annex 3)

- Reviewing how the local body deals with local issues including their ability to optimise their approach to wayleaves, planning rules, highways, traffic management and policy on narrow trenches

- The development of individual projects and applications into the Challenge Fund

- Securing any financial contributions to the projects which were identified as part of a local body's application e.g. capitalisation of spend in existing budgets, sourcing EU and local funding

- Securing local political commitment to participation in the LFFN project assurance gateways and developing projects to pass through each gateway

- Project management and delivery

- Mapping of current infrastructure

- Stimulating demand at a local level and involving local community groups

- Ensuring compliance with any applicable State aid requirements placed on the project

- Collecting data on outputs and outcomes such that the central programme is able to evaluate the effectiveness of the delivery mechanisms (this could include adding contractual text into supplier agreements to ensure that data is available over the life of the procured asset)

- Safe and secure retention of data including meeting requirements of Data Protection Act
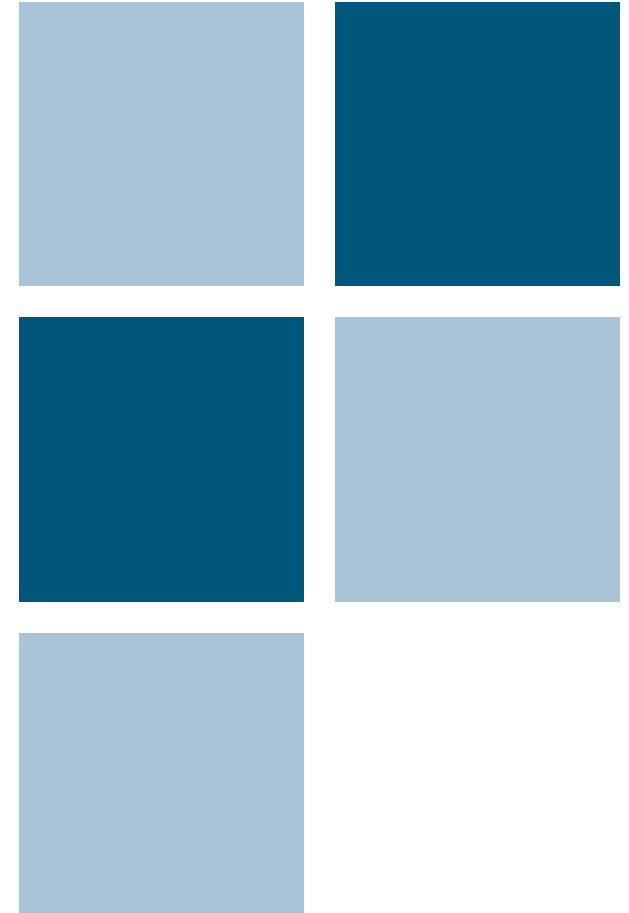
ANNEX 2 – ROLE OF THE CENTRAL PROGRAMME

To deliver a successful project, DCMS will:

- Develop and manage a national programme approach (including legal, State aid, procurement and commercial advice), enabling local bodies to develop local approaches and take responsibility for ensuring the delivery of full fibre networks

- Work with local bodies and devolved administrations to ensure that projects are locally designed and led, with a focus on interoperability and identifying and disseminating lessons learned

- Coordinate Government activities which cut across delivery programmes and projects in multiple sectors

- Facilitate activity across local body project teams to ensure appropriate dialogue and sharing of best practice

- Provide assistance to locally funded projects including expertise in setting up successful projects, coordinating relevant engagement with suppliers on a national basis, ensuring common standards, capturing benefits to help prove the case and making sure lessons learnt are shared with and applied on future projects

- Act as the conduit for, and assurance of the use of, central programme funds

- Act as the primary liaison and coordination with industry stakeholders

ANNEX 3 – REQUIREMENTS FOR DIGITAL INFRASTRUCTURE PLANNING

DCMS want local bodies to explain their Digital Infrastructure Planning and how existing and new infrastructure will be used to encourage more commercial investment in gigabit capable infrastructure for the benefit of businesses, communities and local services. This activity may be incorporated into a wider local Digital Strategy or may be a stand-alone plan (or set of plans). These plans should include measures such as:

- Economic development resource with responsibility for working with local authority colleagues and network operators

- A planning and highways team working proactively with network operators

- Avoiding classifying network deployments as 'major' works

- Supporting the use of narrow trenching in pavements and highways

- Providing access wayleaves on sites at no more than cost – and ideally adopting a standard wayleave template

- Encourage proactive local planning policies to support digital connectivity

- Engaging early with developers in the planning process to ensure fibre connectivity for new builds where achievable

- Engaging with key landlords to help secure private landlord wayleaves

- Developing a comprehensive knowledge of operators' footprints and future commercial plans

- Providing links with business community, chambers of commerce and a plan for how to engage and use these relationships

- Identifying areas of low / no connectivity and quantifiable business demand

This list is not meant to be exhaustive, and we encourage local bodies to be innovative in supporting the rollout of gigabit capable infrastructure. We understand that local bodies will be at different levels of maturity in addressing these issues but they must demonstrate that credible, deliverable plans are in place to ensure that potential barriers to deployment will be addressed.

ANNEX 4 – DELIVERY METHODS AND CASE STUDIES
Public Sector Anchor Tenancy

Aim of the Public Sector Anchor Tenancy (PSAT) approach

The PSAT approach requires a significant step change in the underlying infrastructure delivered to multiple public sector sites. The site locations should be geographically dispersed throughout a town, city, district, borough or county. The nature of a given public sector site is less important as long as the local body procures flexible gigabit connectivity services to its estate, which can include ownership or long-term right of use to dark fibre.

Public bodies should consider the long-term ongoing costs of renting their existing networks and compare this to the costs of ownership or a right of use. Taking a long-term e.g. 20 year, view of these costs will result in an approach that: i) will result in the potential for higher connectivity specifications; ii) increases the probability of new fibre spine deployment by the supplier; and iii) as a result of proximity to new fibre spine should make neighbouring premises commercially viable for full fibre (or other technology) and encourage new network investment.

Supplier and products

The PSAT approach requires the procurement of either gigabit services or dark fibre network connectivity to public sector sites. There are many suppliers capable of designing and building fibre networks for local bodies. A key expectation of the PSAT approach is that those suppliers may make additional capacity available to other network operators and service providers to invest in and sell more full fibre networks in the area.

In the procurement of infrastructure the local body should be mindful of how their current or future telecoms providers or service integrators will be able to provide end-to-end connectivity services over the infrastructure.

How does the PSAT approach work

A PSAT project would typically involve a direct procurement of dark fibre infrastructure to a proportion of the local body's estate. Other models are possible that separate the underlying gigabit capable infrastructure (with a long-term commitment) from the managed data services on top of the new infrastructure (typically shorter duration contracts, potentially with a different supplier).

The PSAT model underpins the LFFN Programme objective to create new fibre networks and accelerate the speed of deployment by:

- Supporting the procurement of new gigabit capable infrastructure able to provide new and enhanced services without further substantial network upgrade

- Creating the opportunity to purchase infrastructure (network) independent of services and therefore increasing the choice of service provider, services and contractual terms available

- Aggregating demand across multiple local body estates, potentially including Civic, Educational, Health and Emergency services' buildings. Different parts of the public estate can be serviced by different service providers / integrators running their products over this new network

- Supporting alternative funding mechanisms for the procurement of infrastructure and reducing the long-term cost of infrastructure provision (the build versus rent decision)

- Indirectly making available fibre networks and spines that will reduce the distance between communities and fibre enabled infrastructure

As a capital fund the LFFN Programme funding can support the procurement of infrastructure only (which may include connection charges, excess construction charges, or a long-term Indefeasible Right of Use (IRU) to dark fibre for instance), and will not be available for the enhancement or re-procurement of service contracts.

State aid status of the PSAT approach

The purchase of gigabit capable internet connections by public bodies – either as an aggregated, regional approach, or for individual sites – is 'no aid' on the basis that it is not market distorting. Local bodies are merely acting as any similar commercial body buying services to meet its needs.

Local bodies will be required to undertake a competitive procurement process to select a supplier.

Features of a strong PSAT approach

An application for funding using the PSAT process will be assessed as defined in the main body of the prospectus. A strong application will be able to demonstrate, as a minimum, an approach that:

- Will include a sufficiently large number of sites (smaller procurements could potentially take advantage of the Public Sector Building Upgrade approach (see Annex 5)) over a defined area

to drive sufficient density of demand and ensure that the capital costs can be covered by the local body

- A large number of public buildings in the procurement offers a benefit in scope, i.e. a larger fibre footprint, more kilometres of fibre, lower average distances to fibre enabled infrastructure (distribution points, aggregation nodes etc.)

■ Is able to divorce service layer requirements from an infrastructure procurement (this does not preclude the procurement of services and infrastructure at the same time, but both procurements should be clearly separated)

■ Has a clear requirement that connections to sites should be gigabit capable at the time of delivery regardless of whether the initial service required is sub-gigabit

■ Develops a good practice approach containing a clear strategy for enabling an effective infrastructure programme, including measures to simplify traffic management, street closures, and other community ordinances during the creation of a new ducted network; as well as creating a framework to facilitate the replicability of this approach for subsequent builds and alternative suppliers

■ Has a clear procurement strategy and a team in place to project manage the procurement process and relationship with DCMS

How does it fit with other LFFN delivery methods

The PSAT model will result in extensive new fibre networks across geographic locations. As a result of new network the economic case for further build, deeper into communities, may also be made. Where there are still economic barriers for investment into communities other LFFN delivery methods can also be employed. For example, on completion of a PSAT build a local body may be able to support a GbVS in a business park that was, prior to the PSAT build, too remote from fibre to take advantage of the scheme. Local bodies should take into account the potential value of the other delivery mechanisms at the time of making their application or consider making further applications during the phases of the Challenge Fund.

Similarly, outlying, public sector buildings e.g. schools and community buildings not captured within the PSAT project scope, can deploy a Public Sector Building Upgrade (PSBU) – where a grant for a single fibre connection can be made to bring fibre to a specific location creating a fibre presence in a location that may not otherwise benefit from fibre (see Annex 5 for PSBU).

There could also be an opportunity to make public assets available to reduce the amount of infrastructure required to cover the project e.g. by making pre-existing ducting owned by the local body available to the supplier, as well as other public assets (see Annex 6 for PSAR).

Example – The West Sussex County Council Gigabit Programme (WSCCGP) was selected as a Wave 1 project to test the PSAT approach. Approximately 130 buildings and CCTV sites will receive fibre connectivity over a number of geographic clusters across the county including the towns of: Bognor Regis, Burgess Hill, Chichester, Crawley, Haywards Heath, Horsham, Shoreham and Worthing.

WSCCGP are procuring dark fibre across all these sites, which should enable them to offer services that meet the current and future demands of the county in the initial sites. It may also act as a springboard for subsequent connections, both for additional county, district and borough sites, and for the community at large.

WSCCGP capitalised its current recurring costs for infrastructure in order to procure dark fibre infrastructure. As existing contracts cease it can move more of its estate across to this new network releasing further cost savings over time with a potential to reinvest in subsequent connections. The WSCCGP is also a GbVS pilot and expects to use an aggregated demand model across the region to stimulate subsequent build from existing and new infrastructure.
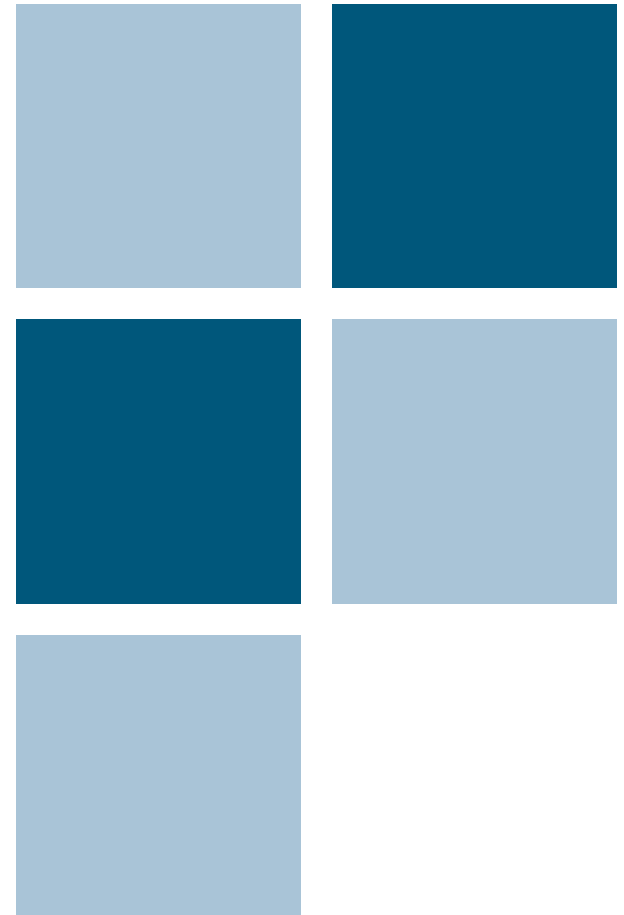
How should applicants calculate their funding requirements as part of their bid into the LFFN Challenge Fund. What resource will need to be invested

There are a number of methodologies that can be employed to understand the potential cost of any PSAT build. It can be modelled on the basis of premises connected and km of fibre / ducting deployed. Many prospective suppliers and consultants will offer local bodies information to help configure requirements and create indicative costs. In assessing costs it will be important to note:

- Cost per site including connection costs

- Km ducting (dig and build costs)

- Km of fibre (noting size of fibre bundles deployed)

- Activation costs for circuits

- Site equipment

This will create a funding requirement. Applicants can then take a long term e.g. 20+ years, view of the operational expenditure to continue to rent current networks, and capitalise that budget to create a funding envelope alongside LFFN funding. The budget would then be put towards the procurement of dark fibre assets or an IRU over a comparable period, and costs associated with transitioning to them. A larger number of sites will create more scope for the procurement and a potentially larger funding envelope releasing economies of scale. By understanding both the likely price of connections to the core sites and the available funding sources e.g. capitalisation of future costs, an applicant will be able to calculate how much LFFN funding it needs to seek from the Challenge Fund to close any funding gap.

ANNEX 5 – DELIVERY METHODS AND CASE STUDIES
Public Sector Building Upgrade

Aim of the Public Sector Building Upgrade (PSBU) approach

The PSBU approach will be used to provide gigabit capable services as upgrades to individual public buildings' connectivity. Through these interventions, it is envisaged that fibre will often be brought closer to communities or business parks where it does not currently exist (and where excess construction costs to build fibre may be prohibitively expensive). Once public buildings have procured gigabit connectivity, it is hoped a new fibre connection will benefit the surrounding community, either providing the opportunity for a network operator to build out full fibre networks to adjacent premises, or at a minimum, offsetting excess connection costs for future customers in the area.

Providers and products

The PSBU approach will be open to any eligible providers in line with the public sector procurement rules. DCMS has worked with a cross-section of the market to validate that there are products available at an infrastructure layer that can support deployment of fibre and other gigabit capable technologies to individual buildings. These in turn will be supported by relevant retail service providers, e.g. those specialising in schools connectivity. Several of these network operators

may also invest further to expand their access networks in the surrounding area.

How does the PSBU approach work

The PSBU approach requires the procurement of new gigabit capable services directly to a public sector building using standard procurement, including contract changes or framework call-offs. In some cases, the procurement could be conducted by the tenant of the public building, e.g. the school, in line with their existing procedures. In other cases, another party, e.g. the local authority, may control the spend through an existing managed service contract, which may enable the site upgrade – or upgrades to many sites in the framework – through a contract change.

State aid status of the PSBU approach

The purchase of gigabit capable services by public bodies for its own needs at market rates is 'no aid' and is not market distorting on the basis that they are merely acting as would any similar commercial body. The procurement must not fund any additional costs incurred by a provider wishing to bring connectivity benefits to the surrounding area.

Local bodies will be required to undertake a competitive procurement to select a supplier.

Example – As part of Wave 1, DCMS selected several schools, working with the support of the Department for Education, to provide gigabit capable services for schools in order to demonstrate the benefits of a PSBU approach.

Schools will procure through a variety of methods including:

- Extensions to existing contracts with variations to the infrastructure

- Open tender procurements

- Procuring through existing frameworks

DCMS will also engage with the successful infrastructure providers to understand whether creating a new connection at the individual schools has impacted their ability and/or willingness to build on into the community and create a viable commercial model for Internet Service Providers (ISP) in the community for residential and business customers.

How should applicants make the most of the PSBU approach within projects

The PSBU approach is designed to be used tactically, encouraging the deployment of new (typically fibre) infrastructure into new areas where it could be expected to stimulate the greatest impact, e.g. adjacent to communities or business parks where the existing supply is inadequate and demand for improved services is high.
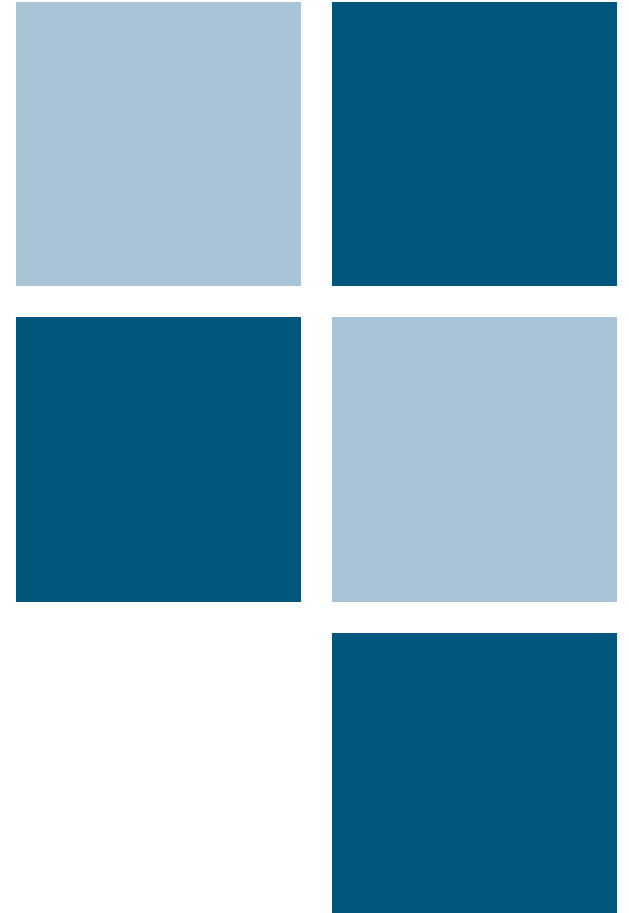
How does it fit with other LFFN delivery methods

The PSBU approach can be used in conjunction with the Public Sector Anchor Tenancy (PSAT) approach, where public buildings lie outside the core geography of the main PSAT procurement in sites that are not commercially viable for a large scale infrastructure build. The PSBU approach might also complement a subsequent GbVS by ensuring availability of fibre backhaul in the area and maximising other providers' ability to aggregate demand and connect SMEs in the area using the vouchers.

How should applicants calculate their funding requirements as part of their bid into the LFFN Challenge Fund. What resource will need to be invested

The Challenge Fund is expected to contribute towards the costs of one-off connection charges or transition costs related to the new gigabit capable connection. A sample of network providers and their pricing schedules may yield a typical cost for local bodies to assess their funding requirements. Where spend is contained in an existing, larger framework or managed service contact, the existing contract may supply a relevant budgetary cost.

ANNEX 6 – DELIVERY METHODS AND CASE STUDIES
Public Sector Asset Reuse

Aim of the Public Sector Asset Reuse (PSAR) approach

The public sector owns a significant amount of infrastructure assets that could unlock a major step change in the deployment of fibre infrastructure across the UK. The LFFN Programme aims to develop frameworks and other solutions that will facilitate market access to assets that form part of national networks, such as fibre along railway lines, as well as local networks, such as city-wide CCTV ducts. Where these assets can reduce the cost of new network deployment, the Programme hopes to stimulate investment in full fibre in these areas.

Providers and assets

Network operators are increasingly considering options for infrastructure sharing. For example, with fixed networks, Ofcom, Openreach and communications providers have been developing a more useable duct and pole access product, and with mobile networks, infrastructure sharing and co-investment models are likely to be aligned to 5G's dependence on small-cell availability. In many instances, the public sector would be able to offer comparable products to access its individual infrastructure assets. In other instances, local authorities have awarded concessions to operators to commercially exploit entire networks.

The asset base will vary but may include:

- Existing ducting networks e.g. existing ducts supporting CCTV networks, city centre signage connections etc

- Existing dark fibre

- Street furniture (lamp-posts, CCTV poles, signage etc)

- Building rooftops suitable for mast locations

- Subterranean tunnels and access points

- New duct assets built with the support of the LFFN Programme

How does the PSAR approach work

There are numerous ways in which the LFFN Programme can support the reuse of assets, including:

- Local bodies offering access to existing infrastructure assets – either through an access product (as per the Tameside example on page 43), through a concession to commercialise the assets e.g. Colchester, Hammersmith & Fulham Borough or through a benefit-in-kind inclusion in a PSAT procurement e.g. Coventry City

- A contribution towards the deployment costs of new assets – e.g. building connectivity between public sector buildings or commercial investments into target areas – that are made available to access seekers

- Speculative investment in new duct assets alongside existing planned civil engineering, including installing new duct assets alongside other facilities during roadworks, e.g. deploying empty ducts under a new cycleway or where utilities companies create road crossings

- Working with the private sector to gain access to known assets, and working across Government to create approaches for the use of national public assets

- Additional investment in other forms of digital infrastructure aimed at making assets more attractive to support commercial deployment, e.g. a digital / internet exchange to enhance the usefulness of an area's connectivity (as per the Tameside example on page 43)

- Working with organisations to create an asset register to make identifying and taking assets to market more efficient

State aid status of the PSAR approach

Funding the creation of publicly owned assets will typically require use of the Market Equivalent Operator Principle – MEOP (see Annex 8 for more information), including justifying that the investment is being carried out in normal market conditions to avoid State aid. This approach is also likely to require that the assets are made available on an open commercial basis on terms and conditions (including pricing) consistent with the prevailing market.

How should applicants make the most of the PSAR approach within their projects

Local bodies will need to understand which assets are publicly owned and can be used on a commercial basis. Local bodies should also be aware of the relevant costs of trenching and ground work activity in different areas and where new assets might reduce operator costs and potentially support the development of new full fibre infrastructure.

Councils and planning departments should also consider how existing ground works, and permissions for future trenching activity could be used to co-ordinate the placing of ducts. The LFFN funding could be used to support the capital cost for creating new ducts that could then be made available to fibre providers in the future.
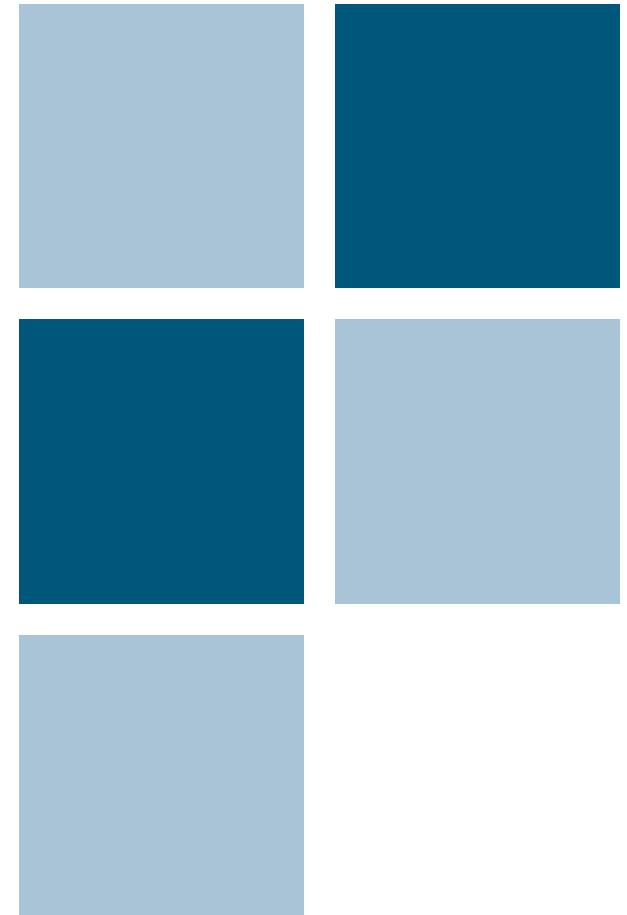
Example – Tameside Metropolitan Borough Council, *Bringing the Assets to Market*.

Tameside was selected as a Wave 1 project to test how a new commercial entity (formed as a co-operative) can aggregate existing assets from both private and public bodies into a single portfolio and bring them to market with common terms and conditions.

Tameside is planning to invest in their duct network between public sector sites to save future connectivity costs by laying its own dark fibre in the ducts, but also near to areas of economic significance, which are more likely to be of interest to commercial operators too.

Tameside is also investing in a data centre at one of its headquarters sites and potentially smaller points of presence where local SMEs could share connectivity direct to Manchester Internet Exchange. In turn, this level of enhanced connectivity is expected to make the area more attractive to network operators considering investments in full fibre infrastructure.

How does it fit with other LFFN delivery methods

The PSAR approach can supplement the other LFFN delivery mechanisms through its potential to open up existing infrastructure for commercial use. In particular, a local body using a Public Sector Anchor Tenancy (PSAT) procurement may offer access to its existing duct network as part of its procurement to offset the capital costs of new services.

How should applicants calculate their funding requirements as part of their bid into the LFFN

Challenge Fund. What resource will need to be invested

Funding may be required for civil engineering works and to procure new assets. The investment in new assets must not exceed a level where it is capable of generating a commercial return where the MEOP approach is being relied upon. If the creation of new assets generates a long-term saving for the local body, e.g. because an existing leased line can be replaced by a publicly-owned dark fibre asset, then this may enable the applicant to capitalise these ongoing costs to make a one-off contribution to offset the request for LFFN funding.

ANNEX 7 – DELIVERY METHODS AND CASE STUDIES
Gigabit Voucher Scheme

Aim of the GbVS scheme
The purpose of the Scheme is to stimulate investment in new full fibre infrastructure by increasing business demand for high-grade connectivity. It differs from DCMS's previous voucher schemes which aimed simply to increase business take up of faster, better connections.

The voucher does not fund suppliers' network build, rather it increases SME demand to help stimulate commercial build out of new networks to meet business demand. Local bodies are responsible for stimulating the local demand. Timing of voucher scheme launches should be coordinated with other demand stimulation and investment activity to make the case for commercial co-investment as attractive as possible.

Suppliers and products
The voucher scheme will be open to a wide range of suppliers. We have worked closely with the network providers to design the scheme. Many providers are developing products which fit with the scheme rules. A number of suppliers developed innovative products and ways of working in response to the Government's earlier voucher scheme – we expect to see a similar market response to the GbVS.

Products for individual SMEs, small groups and specific business parks are expected.

How does the GbVS approach work
There are no applications for local bodies to manage – suppliers apply for Pre-Registered Packages (PRP) which meet the scheme rules through DCMS. Suppliers then offer vouchers to new and existing customers.

State aid status of the GbVS approach
The scheme operates by providing permitted *de minimis* aid to qualifying SMEs – vouchers are in effect mini-grants to business. So long as companies qualify as SMEs and have not exceeded the permitted aid limits for their sector, they are eligible to benefit from the scheme.

How should applicants stimulate demand for gigabit vouchers
It is important to work closely with suppliers who are active in your area. Make sure they understand the voucher scheme's objectives, how it operates and share information about strategic and tactical objectives. The voucher scheme should help meet both suppliers' and your objectives.

You should also exploit existing channels you own which provide information to SMEs in your area; as well as your own websites, you may wish to work with the small business networks and other business intermediaries and support programmes. It is also very useful to work with commercial landlords operating in your area. The scheme is most effective and adds greatest value where the market is able to aggregate demand from numbers of SMEs, therefore local bodies should identify opportunities for aggregation in their area.

How can applicants assess the likely demand for vouchers in their area

Key factors to consider include: the number and type of eligible SMEs, the availability of gigabit ready infrastructure and the range and number of opportunity sites – typically unserved business parks or multi-occupancy commercial premises. In addition, we saw a wide range of 0.5% - 8% take-up across the previous connection vouchers scheme with an overall average of circa 3% on SMEs. We cannot yet have confidence about the likely take up rates for gigabit vouchers, although we would expect lower penetration rates. In addition, you will have information about areas where unmet demand exists. For instance, in West Yorkshire one major provider has identified 30 business parks it intends to target. Finally, you should talk to the supplier base in your area; it is their business to know what demand exists and where. Ultimately, vouchers are a demand-led product and take up will rely on your local market conditions.

How does it fit with the other LFFN delivery methods

The voucher scheme is intended to complement the other delivery methods. For instance, vouchers may encourage providers to invest in extending new network provision created through the public sector anchor tenancy approach; the re-use of public sector assets, for example CCTV ducts near unserved business parks may become commercially viable for providers with the addition of gigabit vouchers.

Example – West Sussex will operate a GbVS when it has completed its Public Sector Anchor Tenancy procurement. Suppliers who bid for the procurement are aware that the voucher scheme will operate later in 2018 – this will allow them to plan extensions to the procured network in the knowledge that vouchers will be available to encourage the take up of newly available services. In addition, all suppliers who have available infrastructure in the West Sussex area can plan to maximise the opportunity created by the presence of vouchers.

What resource will applicants need to invest in order to operate the GbVS in their area

The core effort for local bodies operating the scheme will be for demand stimulation. The scheme requires some administrative input to approve vouchers – this is managed through a central web portal. Local bodies will be required to carry out a number of checks to ensure compliance with the scheme rules, these checks will be carried out remotely – by email or telephone – and through visits to sites where new connections are in place. DCMS's commitment is to fund the vouchers. We would like to see local bodies making a significant contribution themselves to support demand stimulation, coordination and operation.
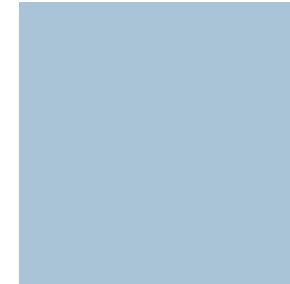
ANNEX 8 – STATE AID CONSIDERATIONS

State aid status applicable to the project
- The State aid approach differs depending on which delivery mechanism is used. A summary of the DCMS assessment of each mechanism is given below, however, we do expect local bodies to satisfy themselves that their projects meet these

Public Sector Anchor Tenancy and Public Sector Building Upgrade
- The DCMS assessment is that the purchase of gigabit capable internet connections by public bodies, either as an aggregated, regional approach or for individual sites is 'no aid' on the basis that it is not market distorting, as long as the public bodies only buy what they need. This will need to be considered for each individual proposal, but is reliant on the public bodies acting in the same way as a commercial body would

Gigabit Voucher Scheme
- The DCMS assessment follows the precedent set by the Super Connected Cities Programme (SCCP) voucher scheme and other smaller local schemes launched subsequently. This relied on the principles that:

  - individual vouchers were below the *de minimis* threshold for State aid (€200,000) and thus did not require notification

  - there was no indirect aid to suppliers because the vouchers were spent on commercial terms meaning that there was no market distortion

Public Sector Building Upgrade and Public Sector Asset Reuse
- Subject to discussions with local bodies, the most likely approach is to demonstrate 'no aid' through the MEOP

- The State aid regulations treat the delivery of goods or services by the public, or private sector organisations in the same way. The MEOP provides a mechanism to demonstrate whether there is a market distorting effect from a public sector organisation delivering goods or services. If there is not a distorting effect, there is no State aid.
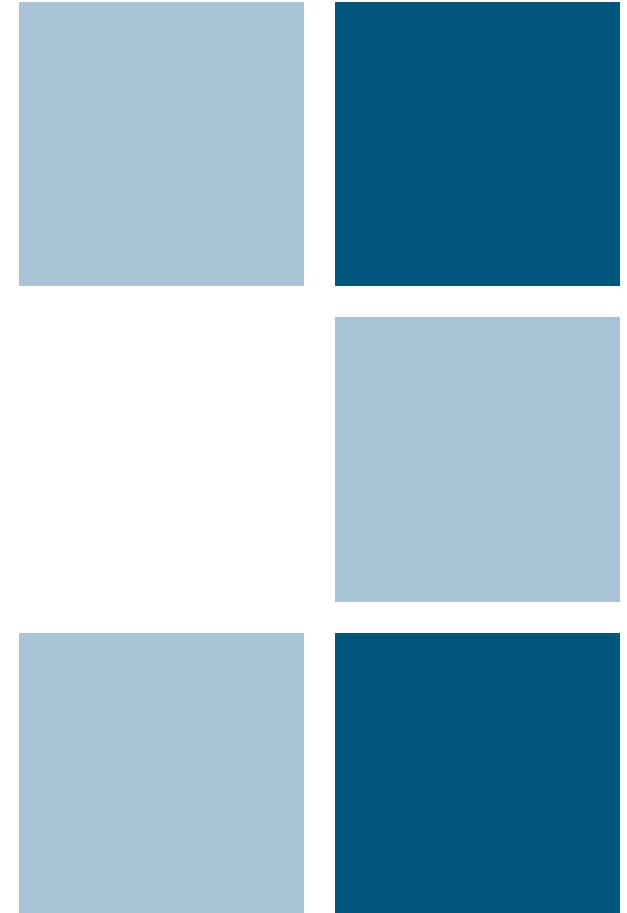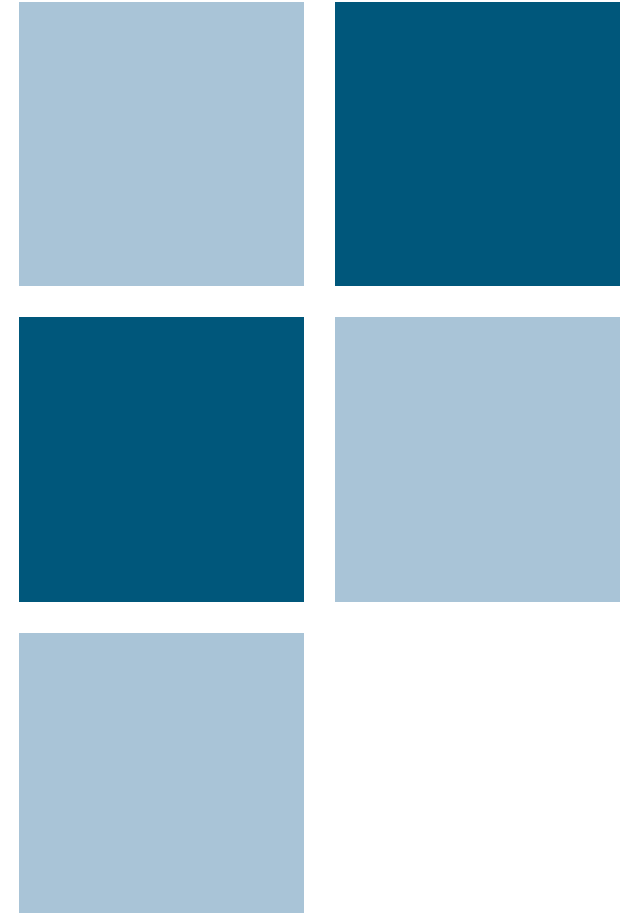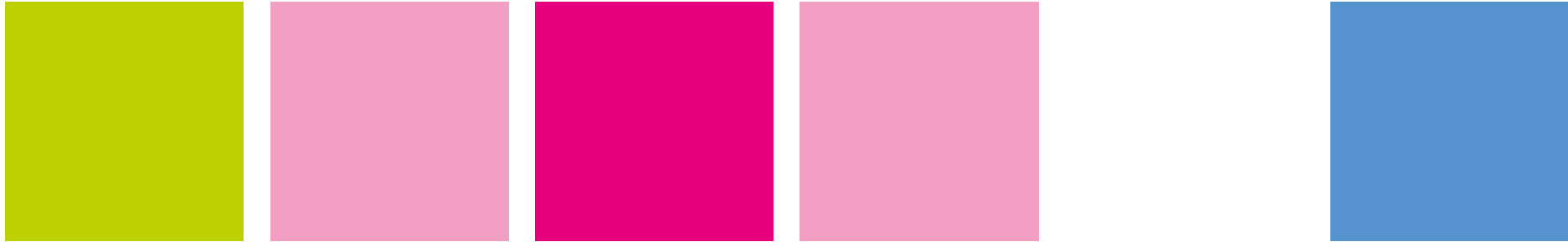
- For Public Sector Building Upgrade and Public Sector Asset Reuse, therefore, we must be able to demonstrate through the MEOP principle that there is no aid and that the project is a genuinely commercial investment, including clearly demonstrating risks and profits and market-based pricing. If challenged in court, or by the Commission, there must be clear evidence that the funding is genuinely on commercial terms.

- The BEIS State aid Manual (Chapter 3, paras 3.4-3.14) contains a description of how to document the terms of the project, and we require that a detailed assessment is produced for each project looking to use the MEOP principle, providing:

  – Details of the co-investors and the relative sharing of investment, risk and return, or

  – Where there are no co-investors, the assessment must be supported by at least one external recognised organisation's independent report confirming that the terms and conditions would be acceptable to a market investor