Gigabit Infrastructure Subsidy (GIS) Intervention

Early process evaluation

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1 Introduction

The Building Digital UK (BDUK) executive agency within the Department for Science, Innovation and Technology (DSIT) commissioned Ipsos UK and partners to undertake an evaluation of the Gigabit Infrastructure Subsidy (GIS) Intervention. This report sets out the evaluation of the processes used to date.

1.1 Description of the intervention

The GIS intervention provides subsidies to network providers to make it commercially viable to deliver gigabit capable networks (those offering downloads speeds of at least 1,000 Mbps) to the final 20 percent of UK premises which are not expected to benefit from commercial deployments. The wider Project Gigabit also provides vouchers to individual premises to upgrade their connection, and GigaHubs, which provides funding to public sector buildings (such as schools and libraries) in hard to reach areas to upgrade their broadband to gigabit capable connections. The estimated cost of this provision will be in the region of £5bn. The original intended procurement model was to build to the least commercially viable premises before more viable premises, meaning that those premises were selected to receive publicly subsidised connectivity first.

The delivery of the intervention builds on the Superfast Broadband Programme model, which prior evaluations have shown to be highly effective in accelerating the deployment of faster broadband networks in rural areas. The processes to be used in the delivery of the GIS are presented in Section 2 of this paper, which also explains how these differ from the processes used in the Superfast Broadband Programme.

As of Autumn 2023, procurement activity (the award of contracts) had been completed in 19 local areas.[1] A further 15 are in the tendering process.

1.2 Objectives of this report

The objective of this report is to provide the findings of an early process evaluation of GIS intervention activity. It aims to provide information on what has worked well and less well in terms of providing the GIS intervention to date, and to allow BDUK to reflect on and potentially enhance the processes used for the remainder of the intervention or for subsequent programmes. In particular, the report aims to assess:

- Market engagement activity at different stages of delivery;
- Intervention design and development of intervention areas;
- The Open Market Review (OMR) and public review process, and how these have evolved over time.

1.3 Methodological approach

This report is based on the following research activity:

- A review of management information, including intervention area data, OMR responses, and commercial data;

[1] Gigabit Infrastructure Subsidy Management Information, provided by BDUK.

- A review of wider, contextual published information, such as news items, Connected Nations data, and regulatory decisions;
- Stakeholder interviews with four stakeholders involved in intervention delivery at BDUK;
- Stakeholder interviews with four local authorities in areas where procurement activity has taken place; and
- Findings from interviews with 14 Network providers and Internet Service Providers.[2]

1.4 Limitations

There were some limitations to the methodological approach described above. These are:

- **Timing and focus of interviews:** The interviews with network providers took place while some GIS contracts were in the procurement stage. This impacted the coverage of the early process evaluation as it would have been inappropriate to discuss the procurement process whilst tenders were live . The timing could also have impacted upon the type of network provider that was willing to participate in the study, with those providers that were engaged in a procurement not having the resources to participate. However, overall the level of engagement from network providers was good.
- **Versions of BDUK internal model of uncommercial premises:** BDUK have developed a dataset from an internal model of uncommercial premises, which estimates the commercial viability of premises in the UK. They update the model regularly. Therefore, the dataset used for the process evaluation here was the most recent dataset, accurate as of Summer 2023. However, the model which was used to develop the intervention areas will have differed from this version slightly.

1.5 Structure of the report

The remaining sections of this report are structured in the following way:

- A description of the processes used to deliver the GIS intervention;
- An assessment of the intervention design and market engagement processes;
- The evaluation of the OMR and public review processes; and
- Conclusions from the process evaluation.

[2] Eight of these interviews were undertaken as part of the Superfast Broadband evaluation – however, interviewees provided their views on the GIS intervention, as activity (OMR, tendering etc.) was ongoing for the GIS at the time these interviews were undertaken, meaning the providers were eager to provide their views.

2 Overview of processes

This section provides an overview of the processes being used to deliver the GIS intervention. It describes the aims of the processes used, how the processes are being delivered and who is responsible for each process.

2.1 Intervention design

The first stage of the GIS intervention delivery is the design of the intervention. The aims of this process are:

- To develop an intervention which maximises the number of premises receiving subsidised gigabit capable coverage which would not have received coverage through commercial deployments;
- To develop an intervention that is acceptable to network providers and ensure sufficient interest in the procurements from the telecommunications industry;
- To build on key lessons from the delivery of the Superfast Broadband Programme, which has been delivered by BDUK since 2013; and
- To comply with Subsidy Control requirements.

The intervention design process was largely a desk-based exercise. It involved a review of the Subsidy Control legislation, and an exercise to compare this to the previous State aid legislation which influenced the design of the Superfast Broadband Programme. This exercise determined that the two pieces of legislation were sufficiently similar that a 'gap funding' approach could be used for the GIS procurements. This approach requires suppliers to provide a level of funding which is equal to their expected rate of return from the network build, and BDUK provide a subsidy which covers the remaining cost of the network build. This approach was used successfully in the Superfast Broadband Programme.[3] This funding approach was assessed to have worked well during the delivery of the Superfast Broadband Programme, with clawback mechanisms built into the funding contract which successfully protected the public purse and ensured the Programme was delivered economically.

Additionally, a review of evidence collected as part of the Superfast Broadband Programme was used to ensure that lessons learned about the design and delivery of the Programme were utilised for the GIS intervention, and how the GIS intervention should differ from the previous delivery. One of the key learnings taken from this exercise was that the GIS procurements should continue to target non-commercially viable premises, allowing the commercial market to move out to meet the intervention delivery.

The intervention design process also involved defining the size and location of intervention areas, which aimed to maximise interest from the market in contracts. This involved reviewing what size of contracts (in terms of scale of areas and premises covered) different types of supplier would be able to deliver and would be interested in providing. This process is discussed in more detail in Section 2.2 below.

[3] See BDUK (2021) The Superfast Broadband Programme: process evaluation. Available at: https://www.gov.uk/government/publications/superfast-broadband-Programme-synthesis-and-process-evaluation-reports-2021

A further part of the intervention design process involved engagement with the market, to gauge the level of appetite in the market for the Programme. This involved one-to-one conversations between BDUK staff and network providers and market engagement events, to discuss the type of funding model, size of contracts, delivery mechanisms and procurement routes etc.

BDUK are responsible for the delivery of the intervention design process, although this relies on input from the telecommunications market.

2.2 Identification of intervention areas

The aim of this process is to identify the areas where substantial numbers of premises, or pockets of premises, do not have gigabit capable networks and are not expected to receive it in the subsequent five years and are most in need of public funding to deliver gigabit capable coverage. Initially this was done using internal BDUK data and algorithms. Following the completion of the OMR and public consultation processes (described below), the intervention areas were refined.

The first stage of this process was undertaken by BDUK. It involves a review of the BDUK internal model of uncommercial premises. This is a model developed and refined within BDUK, which assesses and scores the commercial viability of providing a gigabit capable connection for each premise within the UK. Those premises with the highest score have been assessed as being the least commercially viable premises in the UK. This analysis identified the local bodies[4] with the highest number of the non-commercially viable premises in the UK. Further internal algorithms are then used to refine the data. The results of this analysis show the local bodies most in need of intervention in terms of non-commercial premises. This determined the order in which the GIS contracts were to be rolled out, with the areas with the highest proportion of non-commercially viable premises rolled out to first.

The findings from the OMR and public consultation process (described below) are used to update and refine this analysis. The findings from the national OMR process provide a complete list of premises that are not expected to receive gigabit capable network coverage in the coming years. These findings are combined with the analysis of the BDUK internal model of uncommercial premises to finalise the set of intervention areas that network providers can bid for BDUK contracts against. There are three types of contracts issued through the GIS intervention:

- **Type A contracts:** Smaller, hyper local contracts for intervention areas of up to c10,000 premises, which are open tenders that any network provider can bid to deliver;
- **Type B contracts:** Larger, regional contracts for larger intervention areas of up to 150,000 premises. These contracts have higher financial thresholds network providers have to meet than for Type A contracts, meaning fewer network providers are eligible to bid for contracts; and
- **Type C contracts:** The largest, cross regional contracts, where there is no viable market interest in Type A or Type B, or where a commitment to a substantially larger scale requirement secures a

[4] Local bodies refers to local authorities and Devolved Administrations

step-change investment in capacity and greater pace of delivery. These are a single supplier framework agreement.

This process is run exclusively by BDUK in England and Wales[5]; however, it does rely on input from network providers (through the OMR and public consultation process and market engagement).

2.3 OMR and public consultation

The aim of the OMR is to identify the future roll out plans of network providers and identify areas where no provider currently had or was planning to build gigabit capable networks, to maximise additionality. The OMR process has altered slightly during the GIS intervention. Initially, the OMR process was undertaken at a local level, with an OMR taking place for each intervention area for the first eight areas that the GIS intervention was planning to roll out to. However, in January 2022, this evolved into a national, rolling OMR process, collecting data every four months. The reason that a rolling OMR process was introduced was to maintain an up to date view of coverage and planned coverage over the course of the GIS intervention, to attempt to maximise additionality. As the data is being collected every four months, collecting data at a national level was expected to reduce the burden on network providers and BDUK compared to multiple local OMR processes. The stages to the OMR process are similar for both local and national OMRs, which include the following steps:

- **Send out invitations to network providers:** BDUK write to network providers to invite and encourage them to participate in the OMR process.
- **Publish and refine guidance:** BDUK developed guidance for how a network provider should complete the OMR response. This covers the type of information which needs to be provided, the format of the response and the timings of the process. This guidance is published on the .gov website, so all prospective respondents can access it. The guidance is updated on an ongoing basis following feedback received from network providers.
- **Mailbox for queries:** BDUK operate a mailbox, which the whole OMR team have access to, where network providers can submit questions about the OMR process. The BDUK staff will respond to these queries, and use the questions that are submitted to make revisions to the guidance (described above).
- **Network providers response:** Network providers utilise the guidance documentation and provide a response to BDUK, showing their current gigabit capable networks, and where they have plans to build gigabit capable networks in the future, with a roll out plan. This is submitted at a UPRN level. Additionally, network providers need to provide technical details about their network and financial information about their organisation, to support an assessment of their plans.
- **Assessment of OMR response:** The responses from the network providers are scrutinised, to ensure that the networks described do provide gigabit capable speeds, and the organisation can deliver the roll out plans they describe. There are two stages to the assessment:
  - **Technical assessment:** This part of the assessment is contracted out to specialist organisations by BDUK, as BDUK did not feel they had the required expertise internally to

[5] The process is Scotland and Northern Ireland had not started at the time of the evaluation activity.

complete the assessment. This process assesses whether the details of the network provided indicate that the network can provide gigabit capable speeds.

- **Commercial assessment:** BDUK undertake this part of the assessment internally. The assessment examines the financial information and plausibility of plans provided in the OMR to inform a decision as to whether the network provider can deliver the roll out plans highlighted in their response.

- **OMR decision:** The findings from the technical and commercial assessments are combined, and BDUK categorise each aspect of the OMR response as one of the following[6]:

  - **Fully Accept:** The response from the network provider is deemed to be accurate and roll out plans feasible, and the response is fully accepted by BDUK.

  - **Partially accept:** The response is accepted but there is some degree of uncertainty around the future roll out plans, and these UPRNs will be marked as uncertain.

  - **Reject submission:** The OMR response is rejected, meaning the providers current gigabit capable network and their future planned build will be excluded from the OMR process.

  This decision is made by BDUK. There is not currently a target timeline for BDUK to complete the assessment and decision process.

- **Provide feedback to non-accepted submissions:** For submissions that are partially accepted or rejected, BDUK provide written feedback to the network providers, explaining why their submission has not been accepted. BDUK also offer an opportunity for verbal feedback to network providers. Alongside the explanation of why the submission has been rejected (or for partially accepted submissions why certain UPRNs have been rejected), BDUK provide information of the changes that need to be made and information that needs to be provided in order for the submission to be accepted, to allow the network provider to resubmit if they chose to. There is not currently a target timeline for BDUK to provide feedback.

- **Invite network provider to resubmit with amendments:** Following the feedback provided to network providers, rejected and partially accepted respondents are invited to resubmit their response, making the amendments set out in the feedback provided by BDUK. BDUK set a timeline for the resubmission, which can vary depending on the changes that are required. Following the resubmission, the assessment, decision and feedback steps are repeated as described above. If the response is not accepted for a second time, BDUK can invite the network provider to amend their response again or decide that the response should not be included.

- **Combine submissions:** Once network provider submissions have been finalised, BDUK combine the responses. This identifies UPRNs where no commercial plans to roll-out gigabit capable broadband have been submitted ('white' locations), UPRNs where one provider was offering or expected to offer gigabit capable broadband services ('grey' locations), UPRNs where multiple providers were offering or expected to offer gigabit capable broadband ('black' locations), and UPRNs which were expected to be covered by one provider, but there are concerns that the plans

[6] In practice, some aspects of a response are categorised as "fully accept", whereas others are rejected or partially accepted.

to cover the UPRN were not robust (marked as 'under review'). These UPRNs could revert to 'white' during the project if BDUK are not satisfied that the network provider is going to deliver gigabit capable coverage to the UPRN over the lifetime of the project.

- **Feedback to all submissions:** BDUK also provide feedback to all network providers after non-accepted submissions have resubmitted data and this has been assessed. This feedback includes a description of all UPRNs and how they have been categorised for the individual network providers, as well as how the UPRN has been categorised by BDUK ('white', 'grey', 'black', 'under review').

- **Public review:** Following the completion of the local level OMR process, the combined results are made available for a public review process. The combined OMR responses are published on a .gov website for a four-week period, Network providers, Internet Service Providers (ISPs) and local bodies can view the results and have a four week period in which to submit any queries they have – for example where they think there is gigabit capable coverage which is not included in the OMR response, or where the OMR claims there is gigabit coverage which is disputed. BDUK run this exercise, and collect responses and review the queries. BDUK then decide whether the OMR results need to be revised. For the national, rolling OMR process there is no longer a separate public review stage.

The OMR process is run by BDUK but also relies on input from network providers and the technical expertise of their subcontractors. The current national OMR process is run three times a year, to ensure the data in the OMR is as up to date as possible. The timing of the data request for the OMR process coincides with the request from Ofcom to network providers for data for Connected Nations data. For all submissions after the first from a network provider, the network providers can state that their plans are the same as previously submitted or provide an update (descoped areas / new planned areas), rather than a complete submission, to reduce the burden placed on network providers. Where this is the case, a second complete technical and financial assessment of the submission is not required.

The OMR process supports the identification of the intervention areas (described above). The identification of areas where there is not expected to be commercial roll out of gigabit capable networks are used to develop intervention areas by BDUK. Once the intervention areas are identified, BDUK invites local bodies to provide input – asking for their views about the coverage described in the OMR, the network providers that have said they are currently present in their area and those that have plans to roll out there. This feedback is then used to inform the procurement exercise.

This process differs slightly from the OMR process used for the Superfast Broadband Programme – where the OMR process was led by local bodies, with BDUK only providing quality assurance and guidance. It also differs in that the data for the OMR is kept up to date, with information submitted three times every year – for the Superfast Broadband Programme, data was only collected once, and provided a snapshot of coverage at that point in time. This presented a challenge to the Superfast Broadband Programme as network providers planned commercial rollout changed between the OMR process and the delivery of contracts, meaning there was a risk the Superfast Broadband Programme provided subsidised coverage to areas that also received commercial rollout.

2.4 Tendering and procurement

The aim of the tendering and procurement process is to receive high quality bids, providing as many premises as possible for the money available at the required technical specification, with strong delivery plans from network providers that can demonstrate they can deliver the required network build. BDUK are responsible for the tendering and procurement process but receive input from local bodies to run the process.

Prior to the tendering process, BDUK and local bodies undertake a market engagement exercise where they engage with network providers to outline the requirements of the project and gather the views of network providers about the level of interest in the opportunity. This engagement activity aims to provide BDUK and the local body with reassurance that there is sufficient interest in the opportunity to proceed to tendering.

Network providers that are interested in bidding for GIS intervention contracts are required to express their interest in the opportunities to BDUK. For Type A contracts, suppliers are required to join a Dynamic Purchasing System, meeting the criteria set out in System, through which the opportunity will be procured. This has to be done prior to the supplier seeing any information about the requirements. For Type B and Type C contracts, BDUK publishes a supplier questionnaire, which interested network providers have to complete and return to BDUK. BDUK assesses these and network providers that achieve the stated criteria are allowed to proceed with the procurement exercise.

The next stage in the process is to publish the Invitation to Tender (ITT) for the procurement, which was an open tendering exercise (meaning any network provider that met the criteria set out in the supplier question for Type B and Type C contracts, and those set out in the ITT for Type A contracts could respond to the ITT). The ITT provided details of the intervention area, the 'white' premises within that area, the level of funding available, the requirements of the procurement and the scoring criteria for the opportunity. The requirements of the ITT are more detailed than for the Superfast Broadband Programme. For GIS procurements, network providers are asked to provide more details about the network build, the order of the build activity, the order in which specific premises will be delivered to, technical details about the network build and the environmental impact of their offer. These changes were introduced based on lessons learned from the delivery of the Superfast Broadband Programme, in order to gather more details about the planned build and to assess the feasibility of the plan, to make the contracts easier to manage for BDUK (as changes were easier to observe), and to ensure that premises with connections speeds below 30Mbps were not left to the end of the planned build.

Alongside the ITT, BDUK publish guidance on the .gov website, and operate a mailbox for queries about tendering opportunities. The mailbox is available to all BDUK staff working on the procurements and the staff respond to these queries. The online guidance provides information about the tendering opportunities, how to respond and information about frequently asked questions to the mailbox. The guidance is updated following feedback received from network providers, and has been updated when feedback is received, rather than at specific intervals.

Following the publication of the ITTs and the guidance information, network providers that have joined the Dynamic Purchasing System and for Type B and C contracts have met the criteria set out in the supplier questionnaire are invited to develop and submit bids for the opportunities. The timelines for submissions are set out in the ITT. Once the responses from network providers have been submitted, BDUK assess the bids against the scoring criteria set out in the ITT. The bid which scores highest is successful.

BDUK provide information about the decision to all network providers that submitted a response, including the scoring, reasons for the scoring and written feedback on the application.

2.5 Contracting

The aim of the contracting process was to ensure that network providers delivered the required network build, whilst protecting the public purse. The contracts are agreed between BDUK and the network provider. As with the Superfast Broadband Programme, the contracts include clauses around:

- **Stage 2 True-up:** Protections for the public sector against the risk that suppliers overestimated their build costs were put in place through the introduction of a mechanism to recover any underspend. The principle underlying contracts was that the network provider pays first, then BDUK. In the event of any underspend, funds would be returned to BDUK through a mechanism called Stage 2 True-up.

- **Take-up clawback:** Further protections for the public sector were introduced through take-up clawback clauses in contracts. If take-up proved to be higher than anticipated at the tendering stage, then network providers are required to return a share of the excess revenues to BDUK.

2.6 Delivery and management

The aim of this process is to ensure that the proposed network build happens as intended, with the required number of premises passed, with the appropriate quality of build, to time and budget. At the time of research, it is anticipated that projects in England and Wales will be managed by BDUK, and projects in Scotland and Northern Ireland Type A and Type B contracts will be managed by the devolved administrations, and Type C contracts in Scotland will be managed jointly by BDUK and the devolved administration.

2.6.1 Data collection

The aim of this process is to collect accurate and up to date data on the intervention delivery, outputs and outcomes achieved. It is understood that data will be collected on the following categories on an ongoing basis from network providers delivering the GIS intervention:

- **Financial information (spend):** The amount of money spent on the network build to date;

- **Premises delivered to:** The premises that the network build has provided gigabit capable coverage to. This will be provided at the UPRN level;

- **Take up of services:** The premises (UPRNs) that have taken up services on the BDUK subsidised network;

- **Change Requests:** Change requests submitted by the network providers delivering contracts, which will include date of the change request, reason for request and category of request; and

- **Wholesale access:** Whether (and how many) ISPs have utilised the subsidised gigabit capable network to provide services to premises.

Network providers delivering contracts will be responsible for providing this data to BDUK.

2.7 Process evaluation framework

The table below presents the process evaluation questions which can be used to assess how effectively the intervention is being delivered, where information could be collected from to assess the key process evaluation questions in order to identify areas where processes could be improved. The process evaluation included in this report covers the first three sets of process and corresponding process evaluation questions (intervention design, identification of intervention areas and OMR process). The remaining

process evaluation questions have not been addressed at this stage, due to the timing of implementation. At the time of the evaluation research, GIS contracts were in the process of being tendered, therefore the evaluation did not assess these processes to avoid any issues around the current assessment of bids. Further, not many contracts had entered into their delivery phase, therefore it was inappropriate to assess the delivery processes. These process evaluation questions are shaded grey in the table, and will be addressed in subsequent evaluation activity for the GIS intervention.

Table 2.1: Early process evaluation framework

Process	Evaluation questions	Metrics	Evidence			
			Management Information	BDUK delivery staff interviews	Network provider interviews	Local body interviews
Intervention design	How effective was the market engagement exercise to discuss intervention design?	Number of network providers invited Number of network providers attended	X	X	X	
	How effective has the intervention design been in ensuring non-commercial premises are supported?	Proportion of premises in build plans that are “commercial” in BDUK internal model of uncommercial premises	X	X		
	How effective has the intervention design been in ensuring interest from a wide range of network providers?			X	X	
Identification of intervention areas	How accurate was the BDUK internal model of uncommercial premises data in identifying non-commercial areas?	Proportion of premises in “beyond VfM” included in commercial roll out plans (via OMR)	X	X		
	Did BDUK have the required knowledge of locations to accurately identify intervention areas?			X		X
	How frequently have intervention areas had to be changed due to changes in commercial roll out plans?		X	X	X	
OMR and public consultation	How effectively have BDUK engaged with network providers to collect coverage data?	Number of network providers providing data	X	X	X	X
	Did all relevant suppliers respond to the OMR and public consultation process?	Number of network providers providing data	X	X		
	Did the information and guidance published by BDUK provide sufficient information for network providers to complete the OMR process				X	
	Did the invitation to participate clearly state the requirements of the OMR process?				X	
	How appropriate is the frequency of the data request?			X	X	X

Process	Evaluation questions	Metrics	Evidence			
			Management Information	BDUK delivery staff interviews	Network provider interviews	Local body interviews
	What resources are required to provide data to BDUK?	Time required to complete OMR response			X	
	Did BDUK and their contractors have the required capacity, skills and knowledge to evaluate the validity of the information received?			X	X	X
	Were the assessment criteria used to assess the validity of roll out plans and coverage appropriate?			X	X	X
	Did BDUK provide clear and timely feedback to network providers that had roll out plans rejected / partially accepted?	Time between submission and feedback	X	X	X	
	How effective was the feedback in supporting network providers to resubmit their OMR response?	Number of rejected OMR responses which were subsequently accepted	X	X	X	
	How effective was the public consultation exercise in generating valid responses to the OMR exercise?	Number of responses to public consultation exercise Number of valid responses leading to changes in OMR	X	X		X
Tendering and procurement	How effectively were suppliers engaged with to ensure interest in the GIS procurements?			X	X	X
	How accurate was the procurement pipeline in indicating when network providers would be expecting to undertake procurement activity?		X	X	X	
	How effectively was the procurement activity in securing bids for GIS procurements?	Number of bids submitted for each procurement	X	X	X	X
	How far did the tendering advice provided improve the effectiveness of the tendering process?	Scores of tenders submitted	X	X	X	
	How effectively did the tender documents explain the requirements of the tendering process?	Number of queries submitted about tenders	X	X	X	
	Was sufficient time provided to enable suppliers to prepare a bid?				X	

Process	Evaluation questions	Metrics	Evidence			
			Management Information	BDUK delivery staff interviews	Network provider interviews	Local body interviews
	What resources are required to provide a bid to BDUK?				X	
	Did the tendering process yield sufficient information on all relevant aspects to make effective decisions?			X		
	How appropriate were the assessment and scoring criteria used in the procurement?			X	X	X
	Was the process completed in a timely manner?			X	X	X

3 Intervention design and market engagement

This section sets out the evaluation findings around the intervention design and market engagement processes used as part of the GIS intervention, what has worked well, and the key lessons learned from the implementation.

3.1 Key findings

The key findings presented in this section are:

- The level and format of early engagement with the market, particularly BDUK demonstrating it was listening to the views of the market, was appreciated by network providers. The market engagement events were well attended. Stakeholders felt that this level of engagement was important in establishing an intervention that network providers were interested in participating in.

- The design process appears to have achieved the intended aims. It has balanced incorporating learning from the Superfast Broadband Programme around which areas are built to first with ensuring there is market interest in the GIS intervention. The approach to the ordering of connections used for the GIS intervention, in parallel with the rolling OMR process, was described as an improvement from the Superfast Broadband Programme in terms of preventing overbuild. Some network providers stated that the requirements of the intervention (in terms of wholesale access, clawback arrangements and resources required to manage contracts) made participation unappealing – however all contracts tendered at the time of this research had attracted submissions from network providers, with 12 of the 19 contracts that have been awarded attracting more than one bid.

- The intervention areas identified by BDUK appear to represent areas which have a higher need of public subsidy to ensure the population can access gigabit capable networks. Providing intervention areas of different sizes has allowed different types of network provider to participate in the intervention and has allowed all contracts tendered to date to attract bids.

3.2 Early engagement with the market

The aim of the market engagement activities was to help shape the design of the intervention and to gauge market interest in participation based on different design options. BDUK undertook a wide-ranging market engagement exercise prior to launching the GIS intervention. This included:

- **Market engagement events:** These were largely video conferences (as these were taking place during Covid-19 restrictions) where network providers and telecommunications companies were invited to attend. These events covered what an intervention would aim to achieve, why it was required, what the intervention would look like, what type of involvement would be required by network providers etc.

- **Engagement with local bodies:** BDUK communicated about the intervention with local bodies, explaining how the intervention would operate and where it was likely to deliver, and what the requirements of local bodies would be.

- **Informal engagement with key stakeholders:** Alongside the market engagement events, BDUK also collected the views of network providers in bilateral discussions and collected the views of industry bodies.

The market engagement was described as iterative by both BDUK and network providers. This was because BDUK went into the market engagement at a very early stage, before the GIS intervention had been fully designed. This was a deliberate strategy, as BDUK wanted to design an intervention that the market was interested in participating in. The iterative nature of the engagement was described as BDUK refining the design following each market engagement event, and proposing an enhanced design at the next event. Examples of this included the size of contracts to be awarded, how the contracts would be delivered, the timing of when different types of premises would be built to etc.

It has been reported that these market engagement events were well attended. Upwards of 100 participants were reported to be on the market engagement calls, and BDUK reported collecting feedback from all the main network providers in the UK.

Local authorities reported that BDUK generally provided ongoing and regular contact, although there were periods of time when contact was less frequent. This contact gave them early insight into the GIS intervention. This included discussions of how the intervention would operate and asked them for input about which network providers were active in their area. These contacts took the form of regular phone calls and engagement meetings. However, local authorities reported that they were not asked for any further input, local data or information which they held which could have been of use for the intervention design and OMR processes. This included data sets of which network providers had a presence in their area (at UPRN level) and information about the reliability of network providers to deliver contracts.

Overall, the market engagement process appears to have achieved the intended aims. A wide range of network providers provided views which have been used to design an intervention which network providers are interested in participating in. All contracts which had been put out to tender at the time of this research had attracted submissions from network providers, with 12 of the 19 contracts that have been awarded attracting more than one bid. This demonstrates market interest in the GIS intervention.

3.3 Design of the intervention

In the initial design of the GIS intervention, the strategy of building to the least commercially viable premises first was introduced. This approach aimed to prioritise the areas furthest away from commercial investment in broadband infrastructure. The GIS funded activity would work back towards more commercially viable areas, allowing commercial and subsidised roll out to meet towards the end of the contract. However, following feedback from the market engagement exercise, this approach was revised by BDUK, as it would be challenging to implement this approach and offer value for money. This was described as being because it is more economical to start building a network from the existing infrastructure rather than working backwards towards the existing infrastructure. This approach did raise some concerns among some local authority and BDUK stakeholders around the risk that the project could encourage overbuild of commercial networks in some areas. However, other stakeholders and network providers noted that the design was a compromise which was acceptable to the market and encouraged participation, as the original design risked network providers declining to participate in the intervention. Those stakeholders which raised concerns also noted that the approach used was an improvement, in terms of preventing overbuild, compared to the Superfast Broadband Programme, due to the OMR approach used (described below).

Learning from the experiences of the Superfast Broadband Programme was a key aspect of the GIS intervention's initial design. The GIS intervention was seen as an evolution of the Superfast Broadband Programme, incorporating lessons learned to enhance the effectiveness of the new intervention. The aim was to not just enhance connectivity, but also to create an environment that encourages private investment and competition in broadband infrastructure.. The GIS intervention's design allowed contracts of different sizes (local, regional and cross-regional), which would allow network providers of different sizes to participate. This built on lessons from the Superfast Broadband Programme where initially there was a framework contract, through which the majority of contracts were awarded (11 contracts were awarded through open market procurement). This reflected the nature of the market at the time the Superfast Broadband Programme was launched, when few network providers existed in the UK market. However, in later rounds of the Superfast Broadband Programme contracts were offered which alt-net providers could bid for. With the design of the GIS intervention increasing the number of network providers that could bid for contracts, it was hoped that competition would increase the quality of the bids and offer better value for money for the Government.

However, some larger suppliers and local authority stakeholders were concerned about the changes made to contract types in comparison to the Superfast Broadband Programme. The design of three types of intervention area (local, regional and cross regional) meant that there were some contracts within the GIS intervention which would be more suitable for smaller network providers to bid for. Whilst there was an understanding that there were smaller, newer suppliers involved in the GIS intervention, to include these providers increased the risk to BDUK, in terms of the quality of networks, wholesale access, and the capacity of the providers to complete the work to the agreed timescales. Further, the contract terms and project management requirements for some of the smaller GIS contracts were expected to be prohibitive to larger network providers. This was because the network providers expected the contract terms and project management arrangements to be the same for smaller and larger contracts, and for smaller contracts these arrangements would represent a larger, and unappealing proportion of the total contract value. This meant that although smaller contracts could increase competition by allowing smaller network providers to bid, it also led to some larger providers opting against bidding for the contracts. However, smaller suppliers were positive about the changes to the contracts as it meant that they could participate in the intervention, and BDUK stakeholders felt that these changes increased access to the contracts to a wider pool of suppliers and increased competition for contracts.

There were some concerns expressed about the focus on wholesale requirements in the intervention's design, which one network provider felt did not align with their commercial plans. In addition, true-up and clawback mechanisms and some other contract conditions determined that the coontract was a risk to the network provider in terms of estimating returns accurately. However, it was acknowledged by stakeholders and network providers that the wholesale requirements were a Subsidy Control requirement, and that by building in areas which do not currently have gigabit capable networks, the provider would create a local monopoly which would increase their returns. Network providers also acknowledged that the clawback mechanism, although prohibitive to them, was necessary given the awarding of public funding to deliver the network build.

Multiple suppliers also noted the high level of effort required to participate in government contracts. There was recognition that higher level of effort with regards to monitoring, reporting and managing government contracts comes with the territory, this was cited as another reason for non-participation for one supplier who did not want to increase Full Time Equivalent (FTEs) staff to deliver.

Overall, the intervention design process appears to have achieved the intended aims. The designed intervention and requirements has led to a wide range of suppliers being interested in and submitting bids

for GIS intervention contracts, although there were some reservations expressed about bidding for smaller contract types due to the contractual and management resources expected to be required for the contracts. Despite these reservations, as mentioned above, all contracts which had been put out to tender at the time of this research had attracted submissions from network providers. This demonstrates that the design of the intervention, including having multiple types of contract, have been successful in generating interest from the market.

3.4 Development of intervention areas

The focus was on areas where commercial investment in broadband infrastructure was lacking. BDUK took the lead in determining intervention areas for GIS (all premises within a boundary), deciding the initial lots and then consulting with local authorities for their inputs and knowledge about these areas.

The development of intervention areas was a data driven exercise. BDUK used an internal data source, the BDUK internal model of uncommercial premises, which contains information about the commercial viability of each UPRN in the UK, alongside other information such as local authority boundaries and distance from exchanges and existing networks, to develop intervention areas for the intervention. Some of the key features of identifying intervention areas were:

- **Identifying intervention areas of a similar size:** An initial approach was taken to identify intervention areas of similar sizes (the regional, or type B contracts). However, once these intervention areas were identified and taken to the market to discuss potential appetite to bid for contracts, some of these areas were altered in size. This included reducing the size of the intervention area (to smaller, local, or type A contracts) where small, local providers had existing networks in the area – potentially network providers without the resources or capacity to deliver the larger types of contract. Alternatively, where there was limited market demand for contracts, regional intervention areas were combined to form larger, cross regional (type C) contracts.

- **Intervention areas not bound by local authority boundaries:** The intervention areas were not designed along local authority boundaries, which differed from the approach taken in the Superfast Broadband Programme. Although many of the intervention areas do broadly follow local authority boundaries, the intervention areas have been designed based on how a network would be constructed (where exchanges are located), therefore intervention areas could go across multiple local authority areas.

- **Ordering or roll out:** Each intervention area was assessed in terms of “need”, how commercially unviable the area was, to decide where it would feature in the roll out of GIS intervention contracts.

Local authorities reported that they had limited opportunity to input into the intervention area design process. They reported not being able to influence intervention areas at the point of engagement. They also reported that there was a lack of clarity around how the initial areas were selected over places where local authorities felt would also have made suitable candidates. The local authorities reported that this risked some intervention areas not including premises in need of enhanced connectivity.

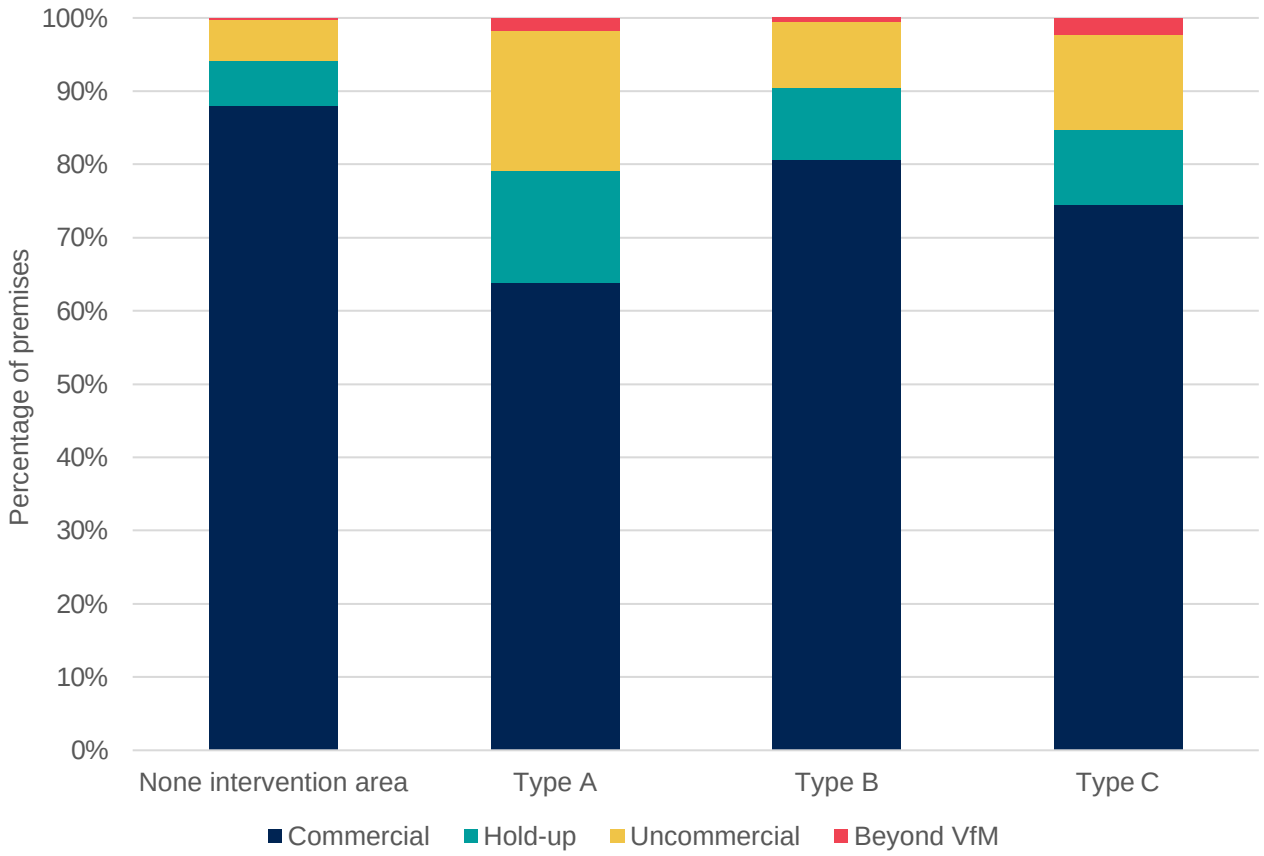
Most local authorities interviewed also reported more general concerns around their level of engagement with the intervention area design and interactions with BDUK. They reported that they had not been provided with any detailed information about which premises were included in an intervention area, or subsequently which areas were included in GIS contracts. They reported that this made it difficult to provide helpful input to BDUK about the delivery of contracts – for example around road access, wayleaves or information about network provider capacity, and presented problems for them in terms of planning their

own digital interventions, as they have no oversight of where the GIS projects are delivering or when. An example of this was in Hertfordshire there was a particular concern around Lots that they shared with Buckinghamshire, Berkshire and Cambridgeshire. Specifically they were concerned that winning suppliers might fail to deliver on the complete contract, or that contracts might outline a minimum delivery percentage, that could ultimately leave their portion of premises out of that Lot. There were also concerns about not being able to manage the quality of delivery to their own premises, especially given that some suppliers had previously been known to have issues.

The data driven approach by BDUK is highlighted below. Using BDUK's data, it appears that the intervention areas are in areas in the UK which are more at need of public investment in gigabit infrastructure. The figure shows the proportion of premises that have been categorised as 'commercial' or 'hold up' (potential to be built to commercially), and 'uncommercial' or 'beyond VfM' (premises that are not expected to receive commercial roll out). The figure below presents the intervention areas designed by BDUK, and the areas not included in an intervention area. This shows that those areas in the intervention areas have a higher proportion of premises that are not expected to receive commercial roll out ('uncommercial' and 'beyond VfM'), at between 10% and 21% of premises, than non-intervention areas (6% of premises), meaning they are more in need of public subsidy. Further, all the intervention areas have a higher proportion of premises in the 'hold up' category (between 10% and 15% of premises) than non-intervention areas (6% of premises). This shows that, according to BDUK data, the intervention areas are less commercially viable than non-intervention areas.

The intervention areas identified by BDUK (all premises within the set geographical boundary) appear to represent areas which have a higher need of public subsidy to ensure the population can access gigabit capable networks. Additionally, as described in Section 3.3, providing intervention areas of different sizes has allowed different types of network providers to participate in the intervention and has allowed all contracts tendered to date to attract bids. The extent to which the intervention has operated in the areas of most need will need to be investigated in more detail once the GIS intervention deployments have been delivered.

Figure 3.1: Percentage of premises in intervention areas (all premises within a boundary) by BDUK internal model of uncommercial premises category and contract type for the UK



BDUK Management Information, August 2023. 'Commercial' premises are those estimated to have a build cost of below £615 per premise; 'Hold up' premises have an estimated build cost of between £615 and £930 per premise; 'Uncommercial' premises have an estimated build cost of £930 to £7,000 per premise and 'beyond VfM'' premises have an estimated build cost in excess of £7,000 per premise.

4 OMR and public review process

This section presents how the OMR process has worked in practice, key challenges and how these have been overcome, key learning and highlighting what has worked well.

4.1 Key findings

The key findings presented in this section are:

- Suppliers were mostly happy with the level of engagement and guidance that was provided by BDUK for the OMR process. They found BDUK staff to be responsive to their communication, and that the information and guidance provided was sufficiently clear (particularly after the revisions) for them to submit responses.

- BDUK have secured a high level of participation in the OMR process. Out of 120 network providers invited to take part, more than three quarters have provided a response. This includes all large, national providers. The most recent national OMR process, in May 2023, secured 57 responses, again including all large, national providers.

- Network providers reported that the resources required to complete the OMR process is substantial but has decreased over time due to learnings made by the providers and improvements made to the process by BDUK. These improvements included providing clearer guidance on requirements and making slight alterations to the data request to align more closely with the Connected Nations request from Ofcom. A central, national OMR process run by BDUK, rather than multiple OMRs run by Local Bodies, was also seen as a benefit by network providers as they did not need to take part in multiple OMR processes.

- The benefit of participating in the OMR process was described as outweighing the costs associated with participation. The benefits related to avoiding overbuild from a subsidised network, which would reduce the utilisation and income from a network providers infrastructure.

- Network providers reported that the feedback to more recent iterations of the OMR process provided a good level of detail about their submission, and was helpful to them in terms of future submissions. Previously feedback had been described as being insufficient and not useful. BDUK also facilitated discussions with suppliers and offered a feedback process that was generally appreciated.

- The proportion of English premises that have been categorised as ‘white’ in the year since the national OMR process was launched has altered, with a significant decrease in the premises categorised as ‘white’. This change will have significant impacts on where the GIS intervention will provide subsidised networks to maximise additionality. This highlights the benefits of undertaking a dynamic, rolling OMR process to BDUK and protecting the public purse.

4.2 Engagement with suppliers and guidance issued

BDUK made contact with over 120 network providers to ask them to provide a response to the OMR process. This covers the majority of all network providers active in the UK, and included all network providers with a large, national footprint. This included a wide variety of network providers, including varying sizes (very local to national providers) and those offering different technical solutions (fixed wired, cable and fixed wireless technologies). These providers were identified by BDUK as network providers that were already known to BDUK (and those that they had contact details for). This list of suppliers was

supplemented for the local OMR processes (that took place prior to the national OMR) by local body input, where they provided BDUK with lists of suppliers they knew were active in their area.

The engagement began with a letter being sent to a named contact at the network provider asking for a response. This included guidance on how data should be provided, what information was needed, for example technical and commercial information, and when the response was required by. The approach to supplier engagement for the OMR process has remained similar throughout the delivery of the GIS intervention, with the same approach taken for the local and national OMRs. However, the messaging and description of what is required has evolved slightly over time, in response to network provider feedback to BDUK. The changes to the messaging were made to make the request for information clearer to network providers.

Further, the requests included in the supplier engagement have evolved over time. Initially, suppliers had to provide a large amount of technical and commercial detail as part of the OMR process to support an assessment of the feasibility of their plans. However, recently the information requested of suppliers has altered to only ask for any updates to this information rather than complete resubmissions. This reduces the time required to complete the OMR process for suppliers and the time required to assess their bids.

Following the initial request for information, suppliers were able to submit queries and questions to BDUK about the OMR process. These were submitted via an online portal, although suppliers also indicated that BDUK staff would respond to queries submitted via email. These questions and queries that were submitted for the earlier rounds of the OMR process led to the slight tweaks in communication mentioned above, and the development of a Frequently Asked Questions log that suppliers could access.

Suppliers were mostly happy with the level of engagement and guidance that was provided by BDUK for the OMR process. They found BDUK staff to be responsive to their communication, and that the information and guidance provided was sufficiently clear (particularly after the revisions) for them to submit responses. Where suppliers reported being less satisfied with BDUKs requests for information this was usually around either the commercial or technical requests, and those reporting dissatisfaction were smaller providers or those using Fixed Wireless technologies. The dissatisfaction stemmed from their perception of a lack of clarity of how the technical and commercial information would be assessed (for more details on this see section 4.4).

Local authorities, except in the case of Durham who ran the process for BDUK[7], reported having limited involvement beyond promoting the OMR online, providing BDUK with information about the network providers active in their region and reminding suppliers when engaging on other business. This reduces the number of OMR responses national network providers would need to submit, and also reduces the burden on local bodies, some of which would not have the capacity to run and manage an OMR process. This highlights the main difference in this process to the Superfast Broadband Programme, where the local bodies ran the OMR process. As the OMR process is now national, each supplier only has to engage with a single body (BDUK) for the OMR process – and given that the OMR now takes place three times annually this would represent a decrease in activity for each supplier (particularly national suppliers), which means a lower level of resource committed by network providers to respond to OMRs.

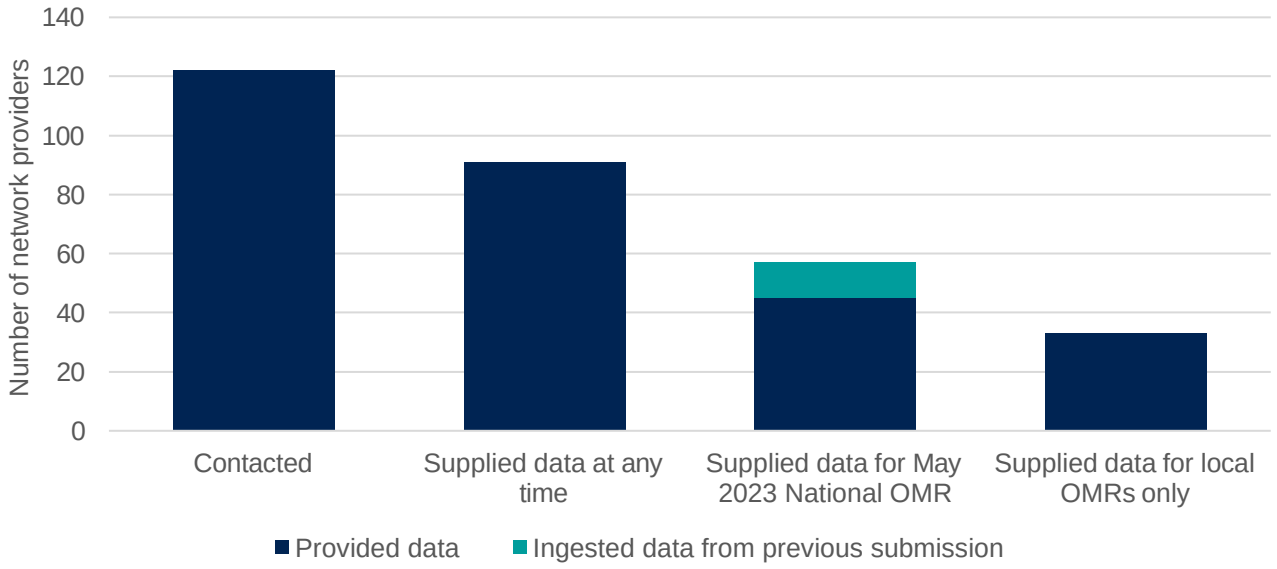
[7] Durham was one of the first areas where the GIS intervention was rolled out. In these first areas, the local bodies ran the OMR process – and this task subsequently became BDUK's responsibility for later areas.

4.3 Supplier submissions

As mentioned above, over 120 network providers have been invited to participate in the OMR process. The figure below demonstrates that at some point in the OMR process, three quarters of (91) network providers have provided an OMR response. An assessment of the intervention MI indicated that network providers using a variety of technological solutions and sizes provided a response to the OMR process – however, all large, national providers have provided a response to the OMR process.

The figure below also shows that for the most recent national OMR process (in May 2023), 57 responses were received by BDUK (all of which are included in the 91 who have provided a response at any time), including all large, national network providers. All network providers that submitted a response in May 2023 had submitted a response previously. Of these 57, 12 network providers responded indicating that their previous OMR submission (in January 2023) should be used for the May OMR. The non-respondents to the national, rolling OMR process appear to largely be smaller, local network providers. A total of 33 network providers have only provided a response to the initial, local OMR requests (which took place in 2021 and 2022), and not any of the national requests. These have been smaller network providers with a regional footprint. Although some individuals within BDUK are concerned about the number of network providers that have not provided a response to the more recent national OMR requests, others feel that given the scale of those that have responded to the national OMR results still provide a very accurate description of gigabit coverage in the UK.

Figure 4.1: Network provider responses to the OMR process



BDUK Management Information, August 2023. Total sample = 120 network providers contacted, of which 91 have provided a response at any time; of these 91, 57 provided a response for the May 2023 OMR. 33 of the 91 have not provided a response to the national, rolling OMR process.

Larger, more established providers reported having systems in place to automate their OMR responses, particularly around the UPRN level data requested by BDUK. This made the process of submission smooth and efficient. Some smaller providers with good data systems shared this sentiment, but others whose systems were not automated or aligned with BDUK data needs struggled to deliver and required a high level of resources to complete. There was a recognition that each time the OMR was repeated, the process did get easier. This was due to two factors – mainly learning for the provider in terms of what was required and how to complete the requests, but also that BDUK made slight alterations to the data request. For the

first OMR requests, it was reported by suppliers and stakeholders that although the OMR process aimed to mirror the Ofcom Connected Nations request for data (both in terms of the time of the request and the fields of information asked for), the request from BDUK differed slightly in terms of the fields used, meaning that an entirely different process needed to be used to harvest the data. This was amended by BDUK for more recent OMR requests, following feedback from network providers, which has made the process easier for suppliers.

Around half of the suppliers have consistently participated in all OMRs but there were some occasions that suppliers would refer to previous submissions if they felt it remained accurate. Of the suppliers that took part in the depth interviews, all reported that they had participated in each request for information. The reported motivation for their participation was the desire to protect their current and planned networks from subsidised overbuild – and therefore protect their revenue stream.

The benefit of participating in the OMR process was described as outweighing the costs associated with participation. Some of the suppliers reported that the process itself was arduous and labour-intensive. Suppliers cited difficulties with regards to providing accurate and consistent information. A factor that influenced the quality and consistency of submissions was the dynamic nature of the telecommunications market. For instance, planned deployments can change due to a variety of factors including market conditions, financial considerations, and competitor actions. This uncertainty can affect the reliability of the data submitted during the OMR process. Specifically, suppliers credited changing strategies to avoid overbuild if another actor had entered into an area, or upon further scoping determining a previously identified area as not commercially viable, or vice versa. For some recent Mergers and Acquisitions, the dust is still settling on strategies and there are discussions about at what point to carry out OMR as a single entity.

4.4 Review and assessment of OMR submissions

Open Market Reviews (OMRs) submissions were assessed by BDUK and their subcontractors Farrpoint using a set of predefined criteria. The aim was to gain an accurate picture of the current and planned broadband infrastructure in the selected areas. Farrpoint had previously been providing technical advice to BDUK about the GIS intervention, although not specifically on the OMR process – and had a lot of experience with supporting local authorities with the OMR process for the Superfast Broadband Programme. All stakeholders felt that they had the required skills and experience, and capacity, required to support BDUK with the OMR process.

Suppliers and local authorities were made aware of the assessment criteria but there were mixed responses on how clear the assessment criteria were and how responses were weighted. The main areas of contention about how the OMR responses had been assessed fell into two categories:

- **Technical challenges:** The GIS procurements are technology neutral. However, suppliers that do not offer fibre in the ground networks but state they can offer gigabit capable networks reported that their OMR submissions were rejected on technical grounds – not being capable of providing the required speeds. The suppliers did acknowledge that the technology capable of providing gigabit capable networks is relatively new for example fixed wireless technologies capable of providing reliable gigabit speeds, but felt that rejecting their plans would lead to overbuild and a lack of value from public finances. They also reported that they had to provide far more technical details about how their networks work than fixed technology providers – and that this was hugely resource intensive, and then having their responses rejected was not viewed positively. There was a further issue on the submission of technical details in terms of BDUK alignment between interventions.

Suppliers that have been approved to provide gigabit solutions through the BDUK vouchers scheme have had their OMR responses for the GIS procurements rejected. This appears to be problematic as the supplier can access public funding from one BDUK funding pot to provide gigabit solutions, but the very same technology is excluded from being mapped as gigabit capable network for another BDUK intervention, and is marked as such. The reason for this discrepancy is that the assessment criteria for the GIS procurement is stricter than for the vouchers scheme. For vouchers, the criteria assesses whether a technological solution can provide a gigabit connection to the single customer with a voucher; whereas for the GIS OMR, the criteria assesses whether a technological solution can provide gigabit capable connection to all premises in an area.

However, this does create a communications problem for BDUK, as suppliers that have utilised the voucher scheme and the GIS OMR process are aware of these differences, and BDUK need to explain the differences between the definitions and the reasons for this. This creates a potential problem for those suppliers as their networks could be overbuilt in the GIS intervention (as areas where their network exists could be marked as 'white'), but also for BDUK as it presents a value for money issue for the two interventions (if they build in the same area).

- **Financial challenges:** Multiple small network providers reported that their OMR submissions had been rejected on financial grounds. However, these suppliers felt that the OMR assessment criteria did not suitably accommodate how small alt-nets operated financially. For example, they felt that the OMR unfairly penalised their responses when they stated they did not currently have all the finance required to deliver their roll out plans in their accounts. However, they stated that they felt it would be irresponsible to draw this money earlier than they required it, as this would incur additional interest payments for finance that was purely sat in their accounts. They stated that they had lines of credit agreed and securing this was not an issue, but this was not accounted for in the assessment of their bid. However, in the last year, access to finance for alt-nets has become more challenging (due to the increase in interest rates and contraction of finance available to businesses). This has meant that some alt-nets have scaled back on their initial plans to deliver new networks in some areas, and therefore if BDUK had accepted these plans previously they would now have to alter the categorisation of these premises as network providers scale back their plans.

In some cases, network providers expressed concern about the weight given to their submissions, especially when their future plans were not taken as seriously as they believed they should be. This issue was particularly relevant for providers that were still in the early stages of their deployment plans.

There was a further internal challenge with the OMR process at BDUK. The voucher scheme, delivered as part of Project Gigabit, provided funding to network providers to build gigabit networks to small numbers of premises. However, the GIS team within BDUK did not have a clear understanding of where vouchers had been issued and when network providers would use these to build gigabit capable networks due to differences in how data was collected and stored for the two interventions. This has meant that some areas categorised as 'white' in the OMR process have vouchers attached to them, meaning they could potentially be assigned subsidised coverage through two schemes. BDUK are currently improving their internal database across different interventions, to try to attempt to prevent this double award happening.

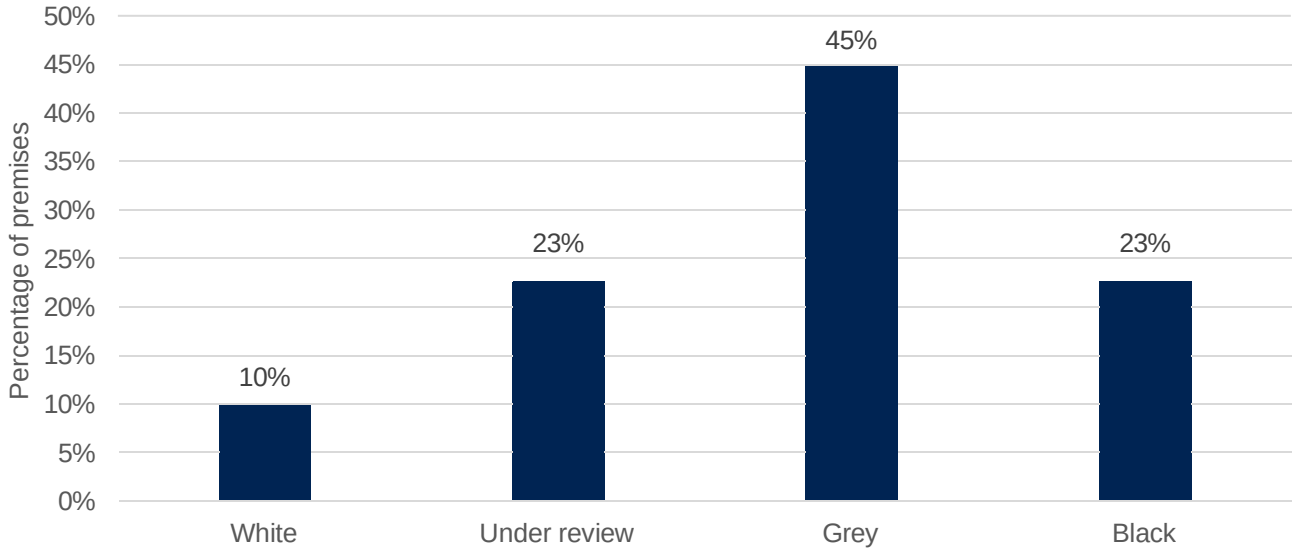
Local bodies were not involved in the OMR assessment process, which is a different approach to that taken in the Superfast Broadband Programme. Despite not being directly involved in the process, local bodies did provide some feedback on the process. In general, local authorities felt that their local knowledge of network providers could have been helpful to the OMR process. For example, knowing about a network providers ability to deliver on their roll out plans locally (for example knowing a network provider

has plans in their area but, based on their previous experiences of the network provider and their track record of delivery in the area and a knowledge of whether the network provider had applied for access to roads, wayleaves etc., suspecting that they are unlikely to be able to deliver these plans). However, using local authorities subjective opinions of a network provider (based on past experience) could influence an assessment of an OMR submission, rather than the objective data provided in their submission.

One Local Authority discussed areas that had been labelled “under review”, feeling that they were unable to make plans to reach these areas whilst the GIS intervention determined whether they would be involved or not, leading to some fear of premises being left behind.

The results of the most recent OMR assessment (from January 2023) are presented in the figure below. This shows the results for the nearly 29 million premises in England. Although the process currently collects OMR information for Wales, Scotland and Northern Ireland, these are not yet published. This shows that around 10 percent of premises have been designated ‘white’, and a further 23 percent as ‘under review’.

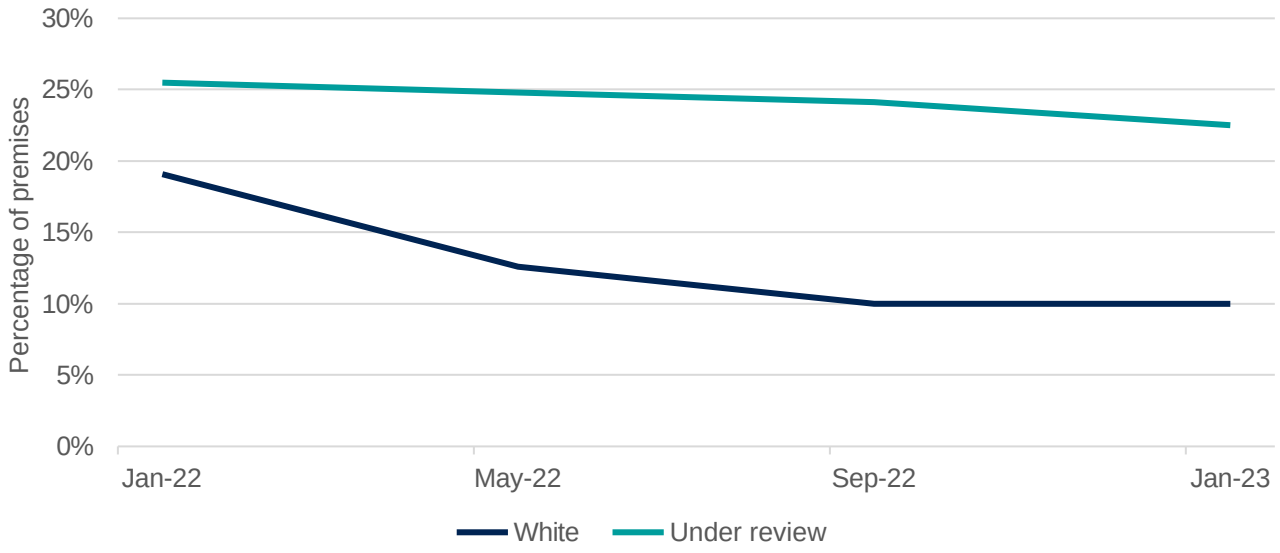
Figure 4.2: January 2023 OMR results for England



BDUK Management Information, August 2023

As mentioned earlier, the national OMR process is a rolling process, with network providers providing responses, which are assessed every four months. This is a different approach to that which was used in the Superfast Broadband Programme, where a single OMR process was run at the start of each contract. The rolling OMR process allows an assessment of how the categorisation of premises has altered over time, which is particularly important given the reactive approach network providers take to commercial roll out. The figure below shows the evolution of the proportion of English premises that have been categorised as ‘white’ or ‘under review’ in the year since the national OMR process was launched. This shows there has been a significant decrease in the premises categorised as ‘white’ and a slight decrease in the areas categorised as ‘under review’. The change in the proportion of premises categorised as ‘white’ will have significant impacts on where the GIS intervention will provide subsidised networks, as BDUK aim to minimise the premises which receive coverage through the GIS procurement that would have received coverage via commercial roll out. This highlights the benefits of undertaking a dynamic, rolling OMR process to BDUK and protecting the public purse.

Figure 4.3: Evolution of the proportion of English premises categorised as 'white' and 'under review' by the national OMR process

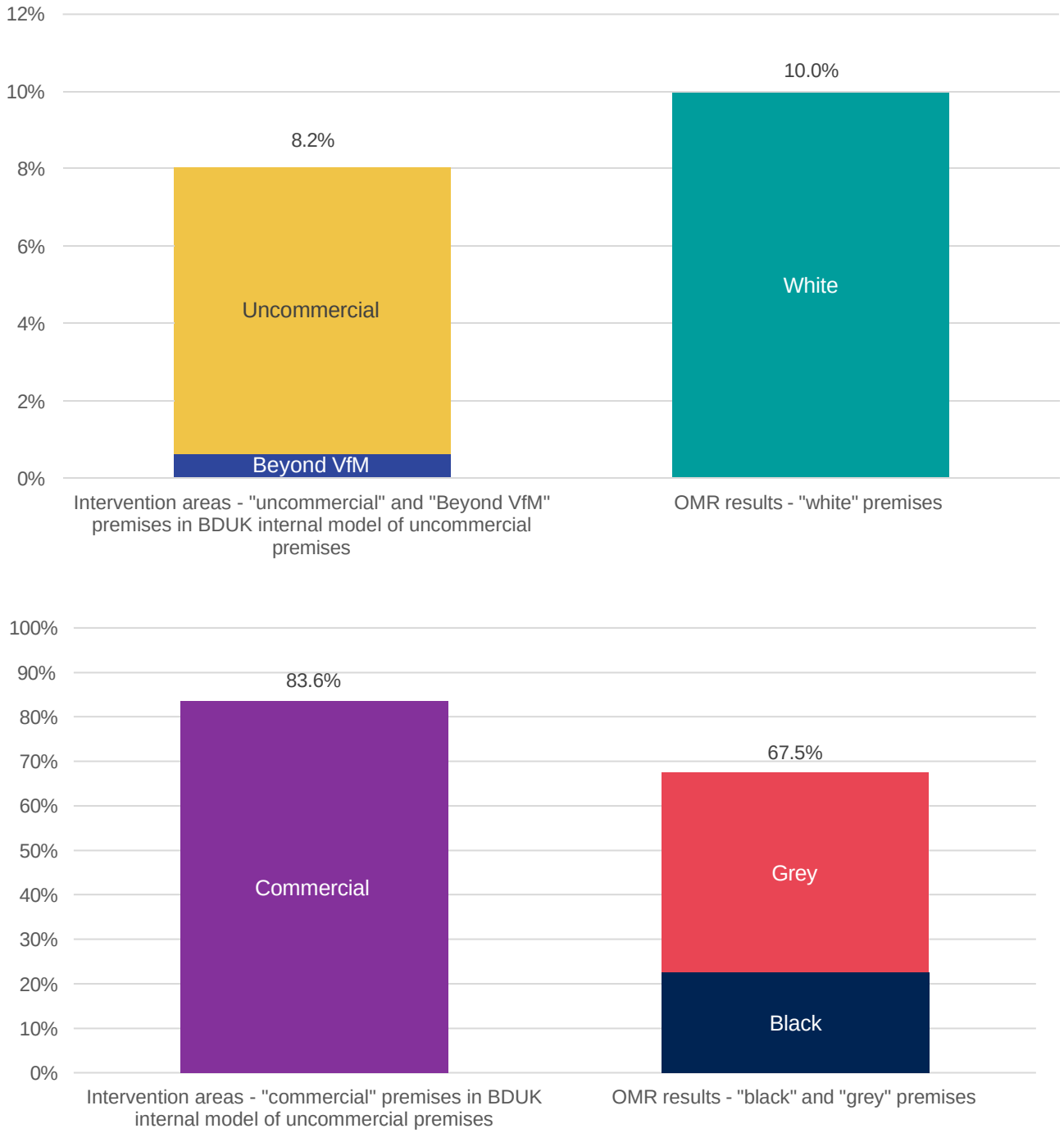


BDUK Management Information, August 2023

The results to the most recent OMR process, in January 2023, and the results to the assessment of premises in England using BDUKs internal model is presented in the figure below. The categories in the BDUK internal model of uncommercial premises have been mapped to the categories used in the OMR process – with 'commercial' premises in the BDUK internal model of uncommercial premises being mapped to 'black' and 'grey' premises, with 'uncommercial' and 'beyond VfM' premises in the BDUK internal model of uncommercial premises being mapped to 'white' and 'under review' premises in the OMR. This shows that in general, there is a good match between the OMR results and the BDUK internal model of uncommercial premises assessment of England. The BDUK internal model of uncommercial premises estimates that nearly 84% of premises in England are commercial, whereas the OMR estimates nearly 70% are 'grey' or 'black'. The BDUK internal model of uncommercial premises indicates that 8% of premises are 'uncommercial' or 'beyond VfM', and the OMR process estimates that 10% of premises are 'white'.[8]

[8] The research team have not mapped the 'hold up' and 'under review' categories, as it is uncertain as to whether these are commercially viable.

Figure 4.4: Results of the OMR process and BDUK internal model of uncommercial premises assessment of premises in England



BDUK Management Information, August 2023

Local authorities reported a mixture of views around their overall involvement in the OMR process. BDUK kept them informed of the process of OMRs taking place in their area (particularly for the first wave of local OMRs). They appreciated the regular engagement with BDUK and the opportunity to contribute to the process. They acknowledged the efforts made to have a standard, national OMR process, which was beneficial for data collection and analysis.

However, local authorities also expressed a desire to share more of their local knowledge and data to inform and influence decisions, as described above. Further, some local authorities wanted more transparency around the OMR data or access to the underlying data of the OMR, to see which network providers had coverage, or planned coverage, in particular areas. The local authorities did not know why they were not able to receive this information. BDUK confirmed that this information was not passed to the local authorities.

4.5 Feedback provided to suppliers

BDUK provided feedback to all network providers that submitted an OMR response. This happens at every OMR process. However, the feedback happens at two stages for the more recent iterations of the national OMR process. In the two stage feedback process, network providers are first provided with information about all the aspects of their bid, which bits of it comply with the requirements set out by BDUK in the guidance documents, and where they do not why the submission does not comply. Network providers are able to use this feedback to resubmit their OMR submission. After the OMR process has been completed, network providers are issued with a letter, outlining how the premises they submitted a response for have been categorised (‘white, ‘grey’, ‘black’, ‘under review’), and how their submission was assessed. Previously, the first step of the feedback was not provided to network providers.

In feedback to earlier iterations of the OMR process, some suppliers reported that the quality of feedback was insufficient. A small number of suppliers that had their OMR submissions declined reported that the quality of the feedback they initially received was not helpful. They described receiving a very short letter which stated that the response had been rejected, but provided no substantial details as to why the response was rejected or what the next steps were (this would align to the second step of feedback described above). They did report that they were able to access further feedback through discussions with BDUK, but that the initial feedback did not provide sufficient detail.

Network providers reported that the feedback to more recent iterations of the OMR process provided a good level of detail about their submission, and was helpful to them in terms of future submissions. BDUK also facilitated discussions with suppliers and offered a feedback process that was generally appreciated. There were mixed views among suppliers about the timelines for feedback where BDUK were not clear when suppliers could expect responses to their submissions and any challenges to their feedback.

BDUK also monitored their feedback to network providers, to identify if there were specific issues which they could support with to ensure network providers were able to submit higher quality submissions. One example of this being changes to the level of commercial evidence required. BDUK noted that suppliers were frequently not providing enough evidence of commercial backing for their plans, in response they amended the OMR guidance and how the information should be submitted to gather this information in the first instance.

4.6 Public review process

The public review process has been a part of the OMR in the GIS intervention for locally led OMRs. However, although the process was titled “public review”, at the time of research the public were not able to access and review the national, rolling OMR results. It is intended that in the future the OMR data will be made available to the public to provide feedback, but in order for this to happen data will need to be made available in an accessible format for the public to explore (for example maps where they could zoom in on a location to query sites).

Overall, those who did provide feedback to the public review were not aware of how the information was used. BDUK reported that when they use information which has been submitted as part of the public review process they do not provide feedback on how they have used the response. One supplier noted that their feedback did result in an adjustment of premises to better reflect their plans. Another supplier noted that there was further reflection of delivery plans at the point of procurement, which better reflected smaller suppliers roll-out plans.

BDUK stakeholders reported some challenges with the public review process. One of these was that some network providers provided feedback on the OMR process to other areas of BDUK rather than those running the local OMR process, and for the national rolling OMR process network providers have supplied feedback to other areas of BDUK – for example feeding into BDUK colleagues that Area X has been categorised as ‘white’ but that it is being built to with commercial roll out. This presents a challenge to BDUK as the colleagues who receive the information are not in a position to fully assess why the area had been categorised as ‘white’ – and the information may not arrive at the required team in a timely manner. However, the stakeholders reported that this challenge was less of an issue now as BDUK and the network providers become more familiar with the team responsible for the OMR process at BDUK and everyone becomes more comfortable with the rolling nature of the data collection – meaning if a location is marked ‘white’ now it can be amended in the next submission in three months time.

There were mixed responses from suppliers and local authorities on their involvement with the OMR process with some reviewing frequently and others not at all. Suppliers expressed the challenge of the timing of the public review publications for local OMRs. They noted that by the time the public review was published, the local market might have changed, affecting the accuracy of the data.

5 Conclusions

The key findings and conclusions from the early process evaluation are presented below. Findings from a future impact evaluation will be needed to fully assess the effectiveness of some of the processes highlighted in this report, but the early findings indicate that the intervention appears to operating effectively:

- **Market engagement:** The level and format of early engagement with the market, particularly BDUK demonstrating it was listening to the views of the market, was important in establishing an intervention that network providers were interested in participating in.
- **Intervention design:** The intervention design process appears to have achieved the intended aims. It has balanced incorporating learning from the Superfast Broadband Programme around which areas are built to first with ensuring there is market interest. The approach to the ordering of connections used for the GIS intervention, in parallel with the rolling OMR process, was described as an improvement from the Superfast Broadband Programme in terms of preventing overbuild.
- **Intervention areas:** The intervention areas identified by BDUK appear to represent areas which have a higher need of public subsidy to ensure the population can access gigabit capable networks. Providing intervention areas of different sizes has allowed different types of network provider to participate in the intervention and has allowed all contracts tendered to date to attract bids.
- **Intervention participation:** All contracts tendered at the time of this research had attracted submissions from network providers, with 12 of the 19 contracts that have been awarded attracting more than one bid.
- **OMR responses:** BDUK have secured a high level of participation in the OMR process. Out of 120 network providers invited to take part, more than three quarters have provided a response. This includes all large, national providers. The most recent national OMR process, in May 2023, secured 57 responses, again including all large, national providers.
- **Resources required to complete the OMR:** Network providers reported that the resources required to complete the OMR process is substantial but has decreased over time due to learnings made by the providers and improvements made to the process by BDUK. These improvements included providing clearer guidance on requirements and making slight alterations to the data request to align more closely with the Connected Nations request from Ofcom.
- **OMR Feedback:** Network providers reported that the feedback to more recent iterations of the OMR process provided a good level of detail about their submission, and was helpful to them in terms of future submissions. Previously feedback had been described as being insufficient and not useful.
- **Rolling OMR process:** The proportion of English premises that have been categorised as ‘white’ in the year since the national OMR process was launched has altered, with a significant decrease in the premises categorised as ‘white’. This change will have significant impacts on where the GIS intervention will provide subsidised networks in order to maximise additionality. This highlights the benefits of undertaking a dynamic, rolling OMR process to BDUK and protecting the public purse.

- **Further changes to OMR process:** Further work is ongoing to enhance the OMR, including internal data verification, ongoing reviews of the feedback provided to respondents and how the results of the OMR are shared. These changes will need to be assessed in subsequent evaluation activity.

One area of concern which was highlighted in the research was around the level of engagement with local bodies nations. BDUK has taken responsibility for the OMR and tendering processes in England and Wales, which used to be the responsibility of the local bodies in the Superfast Broadband Programme. There appears to be some current challenges around data sharing between BDUK and the local bodies. This has led to some concerns being raised around the premises contracts are delivering to (and whether they would be covered by commercial or local authority build) and not utilising local knowledge in the tendering process. Additionally, local body input will be essential for the delivery of projects, therefore relationships with the local bodies nations will need to be strong to ensure the GIS intervention can be delivered effectively.

A further area of concern was around BDUK's internal data across different interventions, most notably across the GIS intervention and the voucher scheme. BDUK are currently trying to improve the quality of their internal data, to make sure staff working on different interventions have a clear view of the premises other interventions are delivering to. This change should help to improve the accuracy of the OMR process and the premises categorised as 'white'.

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