

**Solutions
for Business**

Funded by
government

Rural Development Programme for England (RDPE) Business Support

Rural Broadband

Expression of Interest Guidance Notes



The European Agricultural
Fund for Rural Development:
Europe investing in rural areas

Introduction and background

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

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

Projects funded under RDPE will help support the economy in the short term and over the longer term create essential infrastructures for sustainable economic growth. It is likely that projects will remedy a market failure, i.e. situations where individual market investors do not invest, even though this would be efficient from a wider economic perspective.

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

UK Broadband Strategy

The UK Government has published a strategy entitled 'Digital Britain' setting out the approach to achieving high-speed broadband access. This includes a Universal Service Commitment (USC), with speeds of at least 2Mb/s across the country, and proposals for Next Generation Access (NGA), with potential speeds of up to or over 100Mb/s to 90% of the country. The Digital Britain programme expects the USC to be in place across the country by 2012 with NGA available across most of the country by 2017.

The RDPE funding provides the opportunity to help aid economic recovery in rural areas, to demonstrate the community and economic advantages that accrue from having high-speed broadband access in rural communities and to inform the wider "Digital Britain" strategy. The funding will contribute towards developing innovative approaches that address existing gaps in rural broadband coverage and the upgrade of existing infrastructure to exceed the proposed Universal Service Commitment speed of 2Mb/s, at the same time as allowing for next generation compatible solutions.

Project Objectives

The overall aim of the funding under RDPE is to help rural areas get online, create new jobs and help business grow further.

It is important that projects are capable of reducing the 'digital divide' that sets apart areas in the South East where affordable and competitive broadband services are on offer and areas where such services are not. SEEDA also needs to ensure that the funding will result in a higher level of broadband coverage and penetration in a shorter time than would otherwise occur and to ensure that the

positive effects of the projects outweigh any negative effects in terms of distortion of competition. In this context, SEEDA can only support the deployment of NGA networks in areas where no broadband infrastructure currently exists or in areas where existing broadband operators consider it unprofitable to deploy NGA networks in the near future – i.e. within the next 3 years.

Who can submit an Expression of Interest?

Anyone can submit an Expression of Interest, but funding can only go to support “eligible beneficiaries”. This means that while you may submit an Expression of Interest on behalf of eligible beneficiaries, if you (or the organisation you represent), is not an eligible beneficiary then you (or the organisation you represent) will not be able to receive grant support.

Who can benefit from funding for broadband under RDPE?

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

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

You will need to identify the likely number of eligible beneficiaries in your Expression of Interest.

Please note that, in addition to identifying eligible beneficiaries, we require the Expression of Interest to indicate the numbers benefiting from the new service in the following categories:

- people in rural area that benefit
- businesses that benefit
- public sector organisations that benefit
- jobs created and safeguarded

Amount of funding available and scale of projects

The total amount of funding for the South East is small and will have limited effect if spread widely across a large number of small projects. As a result, the South East England Development Agency (SEEDA) is looking to select a small number of pilot projects. Pilot projects should be of significant scale to demonstrate the benefits of high-speed broadband access to improving the prospects and diversity of the economy of rural communities. For example, projects requiring total funding of between £100,000 and £150,000 should deploy improved infrastructure to at least 200 premises with 20% being business use. The implementation of these pilot projects will help to demonstrate both the demand for and delivery of high speed (well in excess of the 2Mb/s, the minimum suggested by the USC) broadband access in rural communities.

What projects can RDPE fund?

Projects can create infrastructure or upgrade existing infrastructure to support the delivery of new and better quality services to enable rural areas to compete on a level playing field with more advantaged areas. The types of projects include those that:

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

An Expression of Interest is more likely to be successful if it:

- can demonstrate a demand based on registrations
- serve areas where there is evidence of a market failure because commercial service providers are not offered the prospect of operating commercially
- is benchmarked against value-for-money and cost-effectiveness criteria based on independent research/ analysis - e.g The Government report '*An Assessment and practical guidance on next generation access risk in the UK*' is available from the Communities and Local Government website located at <http://www.communities.gov.uk/publications/communities/assessmentngafinalreport>.

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

Support is available in rural communities, which are communities with a population of less than 10,000. Further, there are European Community define black, white and grey areas to distinguish between areas where no broadband infrastructure exists or is unlikely to be developed in the near term (white areas), areas where only one broadband network operator is present (grey areas) and areas where at least two or more broadband network providers are present (black areas).

Priority for funding under RDPE will be for projects that are in:

- "White" areas - where broadband networks do not at present exist and private investment is not likely to build a network within three years.
- "Grey" areas - where only one network is in place or planned for deployment within three years and there are no plans by any operator to deploy a second network within three years.

The Expressions of Interest needs to state whether your project is in a “white”, “grey” or “black” area and indicate what evidence you have for this.

Being in a “white” or “grey” area does not in itself guarantee RDPE funding as other local factors will also be taken into consideration,

Projects in “black” areas, where more than one network already exists or planned to exist within three years are highly unlikely to attract funding.

How much can a project get under RDPE?

Although RDPE can provide up to 100% of “eligible costs” of a project, RDPE is a competitive funding programme. Therefore, proposals should seek the minimum RDPE funding necessary to enable the proposed project to proceed, with the rest of the costs met by funding from private sector sources (“match funding”).

What are eligible costs?

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

Receipts for eligible costs are required before RDPE Grants are paid. Costs incurred before approval of the project Business Case are not admissible.

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

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

Some larger and more complex projects may require specialist input into a development phase, for example to provide a site survey, test concepts and address technical issues. In such cases, these project development costs may be included.

Costs not covered by an RDPE grant include:

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

- statutory costs such as planning, building regulation fees etc

Where can the matched-funding come from?

All matched-funding must come from private sources such as private capital and/or bank financing. Other public funding such as central and local government funding is not admissible as matched-funding.

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

By way of example, financial contributions could come from:

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

The Expression of Interest should identify how much matched-funding you have secured for your project.

Assessment of Expressions of Interest

When we receive your Expression of Interest, we will carry out a basic check to see that it is complete. An incomplete Expression of Interest will not be progressed further.

An Assessment Panel will assess against six “selection criteria” full Expressions of Interest received by the advertised date. SEEDA will invite applicants who provide Expressions of Interest considered by the Panel to meet the selection criteria to submit a full application. These will then be assessed by a panel. Please note however that this is a competitive process and not all eligible applications will receive funding. An invitation to submit a full application will not constitute in itself an offer of funding or a conditional offer of funding.

What are the selection criteria?

Assessment of the Expressions of Interest will be by a panel comprising SEEDA and independent personnel.

Assessment of Expressions of Interest will be against the following criteria:

- 1. Is there an existing gap in coverage at a minimum speed of up to 2Mb/s and confirmation from providers that there are no plans for the gap to be resolved prior to the USC implementation?**

Evidence of poor broadband is required to determine whether the project is in a “white”, “grey” or “black” area.

To assist with this requirement, SEEDA broadband speed data is available at http://www.seeda.org.uk/Global_Competitiveness/Business/Broadband/Next%20_Generation_Broadband/

In addition, a Government report ‘An Assessment and practical guidance on next generation access risk in the UK’ is available from the Communities and Local Government website located at <http://www.communities.gov.uk/publications/communities/assessmentngafinalreport>.

2. Is the proposed solution NGA compatible?

Expressions of Interest will need to demonstrate that the proposed project is compatible with NGA technology and provides an upgrade path. The type of technology proposed will vary according to local conditions, but in descending order of desirability, the technologies are:

- Fibre to the Premises – PTP
- Fibre to the Premises – GPON
- Fibre to the Cabinet
- ADSL and variants (depending on distance to the exchange)
- Long Range Wireless
- Satellite

We would like to see projects that bring fibre as close to homes or business premises as possible; are “open access” and provide consumers access to a selection of service providers; and are not short-term solutions, but instead propose future-proof solutions that are capable of replication elsewhere. Whatever technology is used, it should as a minimum provide 2Mb/s to all users.

3. Is the application on behalf of “eligible beneficiaries” and are the activities eligible within Measure 321 of the RDPE (attached in Appendix 1)?

4. How does the proposed solution help the rural community?

Expressions of Interest need to provide an economic case to show why there is a need for broadband. This should include the number of people that will benefit directly and indirectly; the number of businesses that will benefit; any organisations that will benefit from the provision of a broadband service, including the services that the public sector will now be able to deliver; and the number of jobs created and safeguarded.

5. Is there significant matched funding from the private sector?

Projects that propose significant matched-funding will be more likely to succeed.

6. Is there evidence of potential take-up for the new broadband service and a commitment to encourage further take-up of services by businesses and community groups after provision of the infrastructure?

Successful projects will be able to demonstrate sufficient demand from a variety of sources to support the ongoing operation of any network. Expressions of Interest will need to demonstrate evidence of such demand.

Full Application

You are not required to submit a full application with your Expression of Interest. You will only be invited to prepare and submit a full application if the Assessment Panel decides that your Expression of Interest satisfies the criteria.

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

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

STATUTORY CONSENTS

It is your responsibility to check with the relevant authorities whether your project requires approval, and to obtain the necessary consents and approvals at the appropriate stage.

Planning Permission

Where planning permission is not required, written confirmation from your Local Planning Authority is required to acknowledge your specific proposals and confirm that formal planning permission is not necessary. The Expression of Interest should contain a copy of this confirmation or a copy of the planning permission.

Further guidance

If you would like to discuss a potential Expression of Interest, please contact: David Cooper (01483 501304), davidcooper@seeda.co.uk or

What are the timescales?

22 nd March 2010	Call for proposals launched
14 th May 2010	Deadline for receipt of Expressions of Interest
May 2010– Jul 2010	Assessment of Expressions of Interest and requests for full applications
Jul 2010 – Dec 2010	Announcement of successful project(s)

How do I apply?

Applicants are invited to:

- Download the Expression of Interest Form from www.seeda.co.uk (go to RDPE on the quick links section on the SEEDA web site front page) or e-mail ruralbroadband@seeda.co.uk to request a copy and complete the expression of interest form referring to the guidance note.
- Submit one copy of the Expression of interest form, by email to ruralbroadband@seeda.co.uk

Appendix 1 – Measure 321

Basic Services for the economy and rural population

Objective

To improve or maintain the living conditions and welfare of those living in rural areas and to increase the attractiveness of such areas through the provision of more and better basic services for the economy and the rural population.

Eligible Beneficiaries

Businesses, social enterprises, charities, and other formally constituted groups.

Eligible Activities

This measure will support the setting up of basic services in rural areas. The needs of rural communities are often most effectively identified by the communities themselves, and we expect this measure to be used in England, for the most part, through the bottom-up Leader approach to delivery. It is therefore not possible to give a definitive list of activities. However, financial support may be provided for, amongst others:

- Cultural and leisure activities
- Development of community buildings to provide services
- Developing community enterprises to provide key services e.g. childcare/eldercare
- Energy services – e.g. woodfuel based heat/and or power system for village/community buildings
- Shop/retail services
- Training services.

Activity that is a statutory responsibility of local or national government is excluded.

Eligible costs

Support will be provided through:

- Grant aid towards the costs of small-scale capital costs
- Community capacity building activity, training and facilitation/technical support
- Costs associated with the establishment (but not the ongoing maintenance) of the new basic service.

Aid Intensity

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