Appendix 1
ACSEF MANAGEMENT TEAM MEETING
PROJECTS, INITIATIVES AND EVENTS FOCUS
Wednesday 31 August 2011
Agenda Item 3

ACSEF MANAGEMENT TEAM MEETING
MAXIMISING DIGITAL CONNECTIVITY NEXT STEPS AND ACTION PLAN

1. BACKGROUND

1.1 At its meeting on 29 June, Management Team received a presentation from Mott MacDonald on the study that they were commissioned to deliver following their successful tender bid.

1.2 Management Team will recall that that the study covered the following:-

- An audit of existing infrastructure in the region to identify constraints on speed and connectivity.
- Identify technical options to enable the region to enjoy a competitive advantage in broadband provision.
- Identify the key action points and business case to ensure that all business and residential customers in the region can access a level of service commensurate with ACSEF's aspirations for the area to reach and maintain a competitive advantage over the rest of the UK to help anchor the energy industry in the area, recognising the high level of IT and IP based businesses throughout the area that rely on high speed broadband to compete in their respective markets.
- Contribute to the high quality of life in the area. and ensure that a key part of the Energetica infrastructure proposition is met. ACSEF recognises that the area aspiration exceeds the Scottish Government's targets for service speed.
- Assist in the preparation of bids to secure for Aberdeen City and Shire, some of the £50m BDUK (Broadband Development) funding allocated to Scotland, any other identified sources of funding such as the two local authorities, ERDF and private sector participants and sources of infrastructure provision/support such as Dot.Rural and Leader

1.3 Significant political and financial commitment by the Welsh Assembly to providing high speed broadband infrastructure has enabled economic benefit to be realised in Wales through the location in Wales of several businesses which were attracted to the location by availability of high speed broadband

1.4 This study has now been completed and presented to senior management in both Aberdeenshire and Aberdeen City Councils. The final version of the study will be tabled at Management Team on 31 August 2011.

1.5 In 2010, The Scottish Government commissioned a review of ICT infrastructure in the Public Sector in Scotland (The McClelland Report). The report was published in June 2011 and its author, John McClelland C.B.E made a number of recommendations which related to aggregating demand lever procurement benefits (getting a better price), adoption of common systems so that citizens could (for instance) purchase a bus fare, pay rent or Council Tax to a Council, borrow a library book, make a hospital or doctor's appointment and access services from any public service or quasi public agency using the same piece of equipment, whether a smart card, a smart phone or some other device.

1.6 Whilst McClelland identified several examples of innovative practice among public sector bodies, his overall conclusion was that there was a lack of common strategic purpose, a lack of cross agency technical co-operation and economies of scale in purchasing were not being realised.

1.7 To illustrate the business benefits of good IT solutions, McClelland quoted the work of a multi Scottish Council benchmarking study which indicated a single "face to face" transaction cost of up to £11.28, the equivalent contact centre episode cost of £6.35 and the comparable on line transaction cost of 46 pence.

1.8 Whilst no information is available on how the Scottish Government will react to McClelland's recommendations, it would be prudent to factor them in to any bids made on behalf of ACSEF partners and to that end, engagement at senior (strategic), level between IT service providers in the Scottish Government, Aberdeen City, Aberdeenshire, Angus and Moray Councils, NHS, Police, Fire and Rescue Services, Scottish Enterprise, the two Universities and the two Colleges at a minimum is recommended, so that evidence of common purpose, common need and alignment of solutions can be offered.

1.9 Contact has been made with Norfolk County, Lincolnshire and Cumbria Councils who led successful bids for £15.44m, £14.31m and £17.13m respectively from the English BDUK fund. All these areas have common factors with Aberdeen City and shire in terms of size and population in "white" areas.

1.10 Advice from Norfolk was that BDUK require a detailed cost benefit analysis (CBA) and robust evidence of demand – if the Scottish evaluation matrix reflects this, more work will have to be done in these two areas to complement what Mott MacDonald has already produced.

1.11 All three Councils advised that the funding model in England is 1/3, BDUK, 1/3 public sector participants (which could include ERDF) and 1/3 private sector. Whilst not all the match funding was identified when the bids were submitted, the awards referred to above were conditional on a certain element (still to be clarified) of match funding being committed. In Norfolk's case the Council matched the BDUK award £ for £.

1.12 The three Councils also stated that BDUK required them to engage in demand stimulation to ensure the upgraded infrastructure was committed to and Norfolk has already engaged a contractor to do this.

1.13 Lincolnshire Council understood that BDUK had identified a range of "figures per premise" for different topographies and population densities as the basis for allocating funds – in their case, they were allocated the equivalent of £62 per premise.

1.14 Buy in to the respective bids from other public sector agencies was part of the evidence looked for by BDUK as was the need for a clear vision of where an area wanted to be and why.

2. MAIN FINDINGS OF THE REPORT

2.1 Across the City and Shire the provision of broadband infrastructure is less than ideal. In urban areas the majority of business and residential users are limited to ADSL services. However the exchange infrastructure requires significant investment. The overwhelming majority of users are supported with a maximum theoretical bit rate of 7.15Mbps whilst in practise they often receive much less due to contention. As a result both business and residential users are constrained in their ability to use the internet for both economic and social applications.

2.2 Additionally, many large businesses seeking to locate in the region in major business parks and development corridors require access to world class super fast digital infrastructure to

enable them to compete on an international basis. This is lacking in many parts of the region. In addition BT has no plans for exchange upgrades in the area or the deployment of FTTC/FTTP.

2.3 Rural Aberdeenshire is characterised by having a low density of population across a wide geographic area. As a result, market forces are not delivering acceptable broadband connectivity to the rural region - some locations not having any broadband service. Many of the population live too far from an exchange to get access to effective broadband services and the low population densities in much of the region mean that next generation mobile services cannot be commercially deployed.

2.4 In the 2010 Scottish Government consultation, "Speak up for Rural Scotland", the dominant request from rural residents ,both individual and corporate, was for access to high speed broadband.

2.5 As a result Aberdeen City and Shire has four challenges to address in order to improve digital connectivity as outlined below:-

- Ensuring that businesses and residential customers in the City have access to a competitive market for broadband services which will, in turn drive enhanced connection speeds, improve customer service and support and enhance reliability.
- Provide major business parks and development areas in the region with access to world class digital infrastructure that will drive inward investment, increase the competitiveness of businesses in the region and create employment, as well as securing employment in the oil and gas sector - a major tax generating sector of the UK economy.
- Ensure that the rural areas have ubiquitous access to broadband connectivity at a speed and performance to meet the economic and social needs of the community.
- Ensure that service provision in the Energetica corridor is at a level which suitably differentiates it from the rest of the area, confirms its high quality of lifestyle for residents and at least meets the aspirations of businesses locating in the Energetica corridor.

3 OUTLINE OF PROJECTS

3.1 In order to address these needs, three potential projects have been identified as part of the broadband development plan for the region and are outlined below:-

- Build an **open access fibre network** on the route of a future peripheral road around the City. This will connect the key business parks in areas such as Westhill and Dyce. There is also potential to expand the coverage of the three areas of strategic development defined in the Aberdeen City and Shire Structure plan namely, the Energetica corridor north to Peterhead, along the A96 to Inverurie and south to Stonehaven and Laurencekirk. This will also bring super fast broadband to rural communities.

- **Develop and implement a rural access strategy** to ensure that there is 100% availability of broadband services and that access speeds in the rural areas are significantly increased. This will be achieved through a blend of exchange upgrades, deployment of next generation wireless and satellite technologies and the utilisation of the Aberdeenshire network currently serving Aberdeenshire sites and schools.

- Enhance competition and improved service provision in the **City by encouraging and driving the deployment of 4G wireless technology**. The City will use its existing property portfolio as an incentive for wireless operators to deploy base stations across the City and possibly be an anchor tenant to deliver a number of key public services and provide enhanced broadband connectivity for businesses, consumers and visitors to the city.

4. POTENTIAL SOURCES OF FUNDING

4.1 There are some public funding options available for these projects as outlined below:-

- Broadband Delivery UK (BDUK) – a team within the Department for Culture, Media and Sport (DCMS) set up to deliver the Government's broadband strategy, bringing super fast broadband to all parts of the UK. BDUK is distributing £530m of funding to bring super fast broadband to UK homes and businesses which will not be served by the commercial market. On 16 August 2011, the UK Government announced that it was allocating £68.8 million of BDUK monies to the Scottish Government.

- The Lowlands and Uplands Scotland (LUPS), Programme has £21.1 million of ERDF funding potentially available. The Scottish Government is seeking confirmation from the EU that such funds can be used as part of the implementation of Regional Broadband Plans. In theory the funds should be targeted at the implementation of information and communications technologies in SME's, but given the EU's desire to improve digital connectivity throughout Europe, some relaxation of this constraint may be given.

- The Scottish Government has proposed additional funds of up to £50million from savings on the Forth Road Bridge.

4.2 The process for obtaining these funds is still unclear. We have been informed by Ingrid Green, Policy Officer for the East of Scotland European Consortium that the Scottish Government submitted a proposal on 15 July to the European Commission to amend the ERDF programme to make funding for rural broadband infrastructure more accessible.

4.3 The Scottish Government intends to use any funding allocation from BDUK and Scottish Government funds as match funding for the ERDF monies. A decision on the ERDF proposal is likely to take up to 8 weeks.

4.4 The Scottish Government is also reviewing their "regional strategy" approach. Preliminary meetings have been held with Scottish Futures Trust and Scottish Enterprise. Scottish Enterprise has indicated that they might be willing to play a similar role to HIE, which is as the coordinating body for a regional broadband project covering the Scottish Enterprise network area.

4.5 The implications of 4.3 and 4.4. are that there is already considerable slippage on the timescales originally set out by the Scottish Government. Project calls are unlikely to be announced before November with a deadline of December for applications. Advisory groups will therefore make their assessment in January/February 2012 and decisions on funding awards not expected before March 2012.

4.6 Additionally, it has been strongly intimated that the ERDF/BDUK funding will be ring fenced for rural areas, and therefore funding for city based broadband development is unlikely to come from this fund.

4.7 It is therefore recommended that Aberdeen City uses its existing property portfolio as an incentive for wireless operators to deploy base stations across the City and possibly be an anchor tenant. It should be possible to attract private investment and possibly negotiate a revenue share (or service roll out commitments). This may be a contractual relationship but not necessarily a full equity based relationship.

5 ACTION PLAN

5.1 Notwithstanding the proposal from the Scottish Government not to use BDUK and ERDF funds to match fund non rural broadband projects, ACSEF should liaise, as a matter of urgency, with the Scottish Government, to ensure that the application of the allocation of these funds are maximised.

5.2 It is recommended that a meeting is sought with the Scottish Government Broadband team, led by Dr Trudy Nicholson and Alex Neil, MSP, who as Cabinet Secretary for Infrastructure and Capital Investment has responsibility for the management of these funds.

5.3 In order to be successful in funding applications and subsequent procurement and commercial negotiations, a dedicated team, led by a senior officer from one of the partner organisations needs to be established. In other authorities such a team has become the focus for driving digital connectivity.

5.4 It is further recommended that this team also includes a technical advisor who has experience and a proven track record in securing match funding and negotiating contracts with infrastructure providers. The first role for the Technical Adviser is to determine the structure of the team and the skill profile for each member of the team,

5.5 The report provides an estimate of the minimum capital expenditure that local authority partners would be expected to invest in the three projects (two in the case of Aberdeenshire Council).

5.6 The Corporate Management Team of each Council needs to agree, as a matter of urgency, how the projects are to be progressed, what level of local authority funding and staff resource can be approved and committed and accordingly prepare a report for an early meeting of the relevant policy Committee of each Council to obtain approval for the funding.

6 RECOMMENDATIONS

6.1 That Management Team notes the contents of the report and the recommendations from the Maximising Digital Connectivity study.

6.2 ACSEF writes to Dr Trudy Nicholson and Alex Neil MSP seeking an urgent meeting to present the Maximising Digital Connectivity plan for Aberdeen City and Shire and to seek agreement for the submission of an early ACSEF led bid for funding - the letter to be signed by the Chief Executives of both Councils and the Chair of ACSEF

6.3 ACSEF identifies funding or in kind support to enable the appointment of a technical advisor to work with the current team to agree the action plan going forward and advise on the formation of a dedicated team and the skills required of each member.

6.4 Local authority partners to identify the level of capital expenditure that each can contribute to the project and seek Committee approval for this.

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