

## ABERDEEN CITY COUNCIL

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COMMITTEE	Enterprise Planning and Infrastructure Committee
DATE	6 November 2012
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Aberdeen Digital Connectivity Update Report
REPORT NUMBER:	EPI/12/208

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### 1. PURPOSE OF REPORT

This report provides:-

- an update on UK and Scottish Government activities and
- an outline of ACC's Activities to date.

### RECOMMENDATION(S)

That the Committee:

- notes the details within this report,
- endorses the bid to the Department of Culture Media and Sport's (DCMS) 2<sup>nd</sup> round of Urban Broadband Funding (UBF),
- instructs that officers, that should the bid be successful, undertake the processes required to implement the plan within this bid, taking into account any changes that are required by the funder;
- instructs officers to procure the necessary additional technical advice at an estimated £330k, in order to prepare for the procurement of private sector development partners to implement the city wireless and open access broadband projects within this plan,

### 2. FINANCIAL IMPLICATIONS

As a result of the Council's 2012/13 capital programme, provision has been made to invest up to £2 million in Open Access and City Wireless Digital Programme over the next two financial years. The scheme identifies 4 projects. The most significant of these projects is the Open Access Fibre Network to which Aberdeen City Council's (ACC) full £2 million will be used in addition to a further £2 million from Aberdeenshire Council. This comes to a total of £4 million for this project. Within the UBF Bid ACC has applied for a further £3 million from the DCMS for this. This will create a significant stake-holding, along with any existing asset to which ACC can make an 'in-kind' contribution in seeking a Private Sector Partner. The Private Sector Development partners will benefit with access to the growth and development

sectors in the city, with the ability to utilise ACC's assets and existing infrastructure. The other three projects within the bid require only an in-kind contribution from ACC. The bid has commercially sensitive information but is available for Elected Members to view on request to the author of this report.

#### 4. SERVICE & COMMUNITY IMPACT

An Equalities Human Rights Impact Assessment was undertaken as part of the report to this committee on 13 September 2011. These significant infrastructure projects have the potential to provide benefit in the delivery of frontline services which reliant on digital connectivity in their delivery. This covers services in social care, education, community wardens work, environmental health, building services and planning. The contents of the report relate directly to delivering on key National Outcomes of the Single Outcome Agreement:

**National Outcome 1** – We live in a Scotland that is the most attractive place for doing business in Europe

**National Outcome 2** – We realise our full economic potential with more and better employment opportunities for our people.

**National Outcome 3** - We are better educated, more skilled and more successful, renowned for our research and innovation.

Delivering Next Generation Access (NGA) with associated affordability levels for disadvantaged communities (geographical and societal) will support and enable community engagement to improve life chances and opportunities. This also supports the administration's Smarter Aberdeen Policy Statement as NGA.

Aberdeen City and Shire Economic Futures (ACSEF) identified a number of areas within the Economic Action Plan where NGA can play a critical role in transport, global connectivity, attracting and developing skilled people and company headquarters.

The delivery of next generation broadband and wireless connectivity is consistent with ACC's administration policy – "Aberdeen a Smarter City". It supports ACC's aspiration for Aberdeen to be a Smarter City. The widespread availability of NGA will allow public services to be more cost effectively delivered – this will become increasingly important as Council budgets reduce in real terms. A good example of this has been the savings made by building services who already use Consillium's Total mobile application and have made cost savings in the region of £1.5 million. ACC's enforcement officers are also using mobile technology but due to the poor connection across the city, are unable to utilise the full benefits of real time data transfer. ACC invests in the region of £1 million per annum in information technology with more services opting to use it so as to provide effective and efficient services.

#### 5. OTHER IMPLICATIONS

The European Commission currently has Draft EU Guidelines for applying State Aid rules in relation to the rapid deployment of broadband networks. Digital Connectivity Procurements have significant State Aid implications. The UBF bid required all bidders to provide a State Aid opinion for their options. ACC obtained expert advice from TaylorWessing, the advisors to Birmingham City Council who has already obtained State Aid clearance from the European Commission.

The plan would see ACC partnering with third parties to deliver services across the city and the potential that ACC utilise current property and asset portfolios to assist this delivery. This plan may also provide an opportunity to identify ongoing revenue income. Which could be reinvested into infrastructure, access to areas which would be otherwise uneconomic etc.

If the programme is approved for further development any implications arising will be reported to committee as part of ongoing process.

## 6. REPORT

### 6.1 Background

On 9 November 2010 this Committee instructed officers to develop a programme to enable the delivery of improved broadband connectivity to domestic and commercial users in Aberdeen. This was undertaken by Aberdeen City and Shire Economic Future (ACSEF), Aberdeen City Council (ACC) and Aberdeenshire Council (AC). As a result of this on 11 September 2012, the Enterprise Planning and Infrastructure Committee agreed to support efforts to lobby Scottish Government for funding, appoint an advisor to assist officers to implement the recommendations with in the 'Maximising Digital Connectivity'; and to support submission of an initial bid for up to £2 million of capital funding, from Aberdeen City Council's 2012/13 capital programme.

The proposal presented to this committee on 11 September 2012 identified three key projects, namely;

- (1) **An open access fibre** network built adjacent to the future peripheral road around the City to connect key business areas such as Westhill and Dyce and the residential suburbs like Kingswells and Dyce with the potential extension to the Shire from Westhill and along the Energetica corridor. Due to commercial sensitivity the cost are unable to be published.
- (2) **A rural access strategy** to ensure that there is 100% availability of broadband services in the rural areas and significantly increased access speeds. AC are working with Scottish Government on this with the costs being part of the current proposed Scottish Government procurement process.
- (3) **Deployment of next generation wireless technology** in Aberdeen's core city area, to be a concessionary scheme which would be cost neutral to the ACC..

It was believed that Projects (1) and (2) could obtain Central Government funding through British Digital UK programmes being managed in Scotland by the Scottish Government and could also potentially be suitable for European funding programmes.

Project (3) may be deliverable without public subsidy.

### 6.2 Update

Since the Committee granted approval for this initiative a number of actions have been undertaken. ACSEF funded a Project implementation plan for City next generation wireless. This was used to assist in bringing together a capital bid to cover the full required investment for Open Access Fibre and City Wireless Digital Connectivity which is part of ACC's five year

business plan. It was agreed on 9 February 2012 by Council that £2 million will be part of the Council's three year capital programme.

Joint Governance Structures, as shown overleaf, with the ACC and Aberdeen City Council have been established. The Digital Connectivity Board is a joint board between ACC and AC. It is co-chaired by its Chief Executives. Its membership consists of the two Councils' Directors of Enterprise, Directors of Corporate Governance, Project Sponsors and Project Managers, Super-users - ACSEF representative (as a public-private partnership) and a business representative from the Federation of Small Business. The remit of this board is to receive reports and oversee all Digital Connectivity projects across the North East of Scotland. The board meets bi-monthly and all meetings are documented. The Project's Terms of Reference have been developed to give a focus of the expectation and requirements of this Board.

ACC has a City Digital Connectivity Project Delivery Board which is tasked to deliver the City wireless project but this is being extended to include broadband connectivity in the City's contiguous area including Westhill. The Delivery Board consists of the Project Sponsor, Project Manager, Project Co-ordinator, Head of Procurement, Head of Asset Management, Head of Planning, Legal Advisor, Financial Advisor, Programme Management Office (PMO) representative, Super-user (ACSEF), Advisor from Aberdeenshire Council and Broadband Specialist. It meets monthly and its meetings are documented.

# Governance Structure

Digital Connectivity Project Board	
<b>Co-Chairs</b> Colin Mackenzie / Valerie Watt	
<b>Members</b>	
Gordon McIntosh	Gerry Brough
Stephen Archer	Jan Falconer
Stewart Carruth	Roddy Matheson
Christine Gore	Rita Stephen
<b>Business representative</b> Andy Willox (FSB)	

City Digital Connectivity Project Delivery Board	
<b>Sponsor</b> Gerry Brough	
<b>Members</b>	
Jan Falconer PM	Margaret Bochel (PSD)
Andrew Win PC Henrietta Pallos (PMO)	Brian Downie (Finance)
Craig Innes (CPU)	Scott Patterson (Finance)
Hugh Murdoch (AMO)	Jane MacEachran (Legal)
	Rita Stephen (Super User/ Client)
	Roddy Matheson, Aberdeenshire Council
<b>Vacancy</b> Broadband Specialist	

Open Access Project Delivery Board	
<b>Sponsor</b> Christine Gore	
<b>Members</b>	
Gerry Brough	
Roddy Matheson	
Alistair Reid	
Jan Falconer	
Rita Stephen	

Rural Access Project Delivery Board	
<b>Sponsor</b> Stephen Archer	
<b>Members</b>	
Murray Ferguson (CNP)	Les Allan
Gordon Ogilvie (Angus Council)	Belinda Miller
Paul Allan (NHS Grampian)	Roddy Matheson
Mike Powell (Marr Area Partnership)	Nicola Graham
Andy Willox (FSB)	Alistair Reid
Charlie Adam (NUF)	Jackie Buchanan (all AC)
Gordon Sutherland (Moray Council)	Craig Innes (CPU)

The Scottish Government in the meantime produced its 'Scotland's Digital Future Action Plan. It consists of four Programmes. Programme One is called 'Achieving a Step Change to 2015'. Its aim is to address the digital divide, specifically for those areas where the market will currently not go, to ensure a step change in speeds by 2015. The outcome we are seeking is a significant uplift in speeds for everyone by 2015, with speeds of 40 – 80Mbps for 85% to 90% of premises. Scottish Government had planned to produce a Procurement Strategy by March 2012, commence procurement in September 2012 so as to award a contract by the first half 2013.

The Scottish Government is producing a procurement strategy where it aims to use the UK Government's procurement process in order to gain State Aid approval. As this is yet to be achieved the procurement has been delayed. Though exempt from this ACC continues to work with Scottish Government.

BT announced early this year it would upgrade two of its 13 exchanges that serve the city (nine in the City and four in the Shire). A further four exchanges were due to be upgraded by September 2012 and one more by September 2013. Whilst these exchanges are concentrated around the City Centre, BT is a commercial enterprise which will only undertake work on cabinets that are commercially viable. ACC's modelling shows that this will only upgrade 66% of premises in Aberdeen (this excludes new planned developments.) whilst the Scottish Government's modelling indicates that 70% of premises will be covered. ACC is exempt from Programme One funding as the market will meet the city's' needs. Aberdeenshire is included in Programme One and has the Rural Broadband Project Delivery Board whose membership consists of a range of stakeholders and AC officers. This Board oversees the Rural Broadband work being undertaken as Phase one of the Scottish Government's Digital Action Plan. It is also part of the Aberdeen City and Shire joint Digital Connectivity Board.

The Scottish Government's Digital Action Plan Programme Two aims to achieve world class digital connectivity by 2020. Whilst there is no timing for this programme, Scottish Government is undertaking a Public Consultation for the procurement for the rest of Scotland to which they have identified £100 million of public funding to which the Scottish Government will expect local authority contributions which have yet to be determined. ACC has also been working with the Scottish Cities Alliance (Aberdeen, Dundee, Edinburgh, Glasgow, Perth and Stirling) on a Cities Digital Project which aims to focus on bringing together work with mobile operators, smart ticketing, wireless technology and transport and intra-city collaboration in digital connectivity. Cities are sharing 'lessons learned', along with shared resources and have a comprehensive stock-take on where Cities and regions are in the digital mix. This is an important element within the City and Shire's Digital Connectivity Strategy.

### 6.3DCMS UBF Phase 2 Bid

A range of groups, included ACC, wrote and lobbied the UK government due to Aberdeen being excluded from the earlier Phase one of Urban Broadband

Funding for large cities. In June 2012 the Chancellor George Osborne announced a £50 million fund for which 27 smaller cities including Aberdeen, Dundee and Perth could compete, with the closing date being 17 September 2012. The City Digital Delivery Board produced ACCs bid to the Department of Culture, Media and Sport's UBF Phase 2 bid with technical advice from Mott MacDonald and specialist State Aid advice which was submitted to DCMS on 14 September 2012.

The bid covers the contiguous area of Aberdeen City and includes Westhill. The technical strategy to deliver enhanced digital connectivity across Aberdeen will be addressed in four parallel work streams:-

- **Open Access Fibre Network** - a network built around the key developments areas in the City including the new growth areas defined by LDP12 and existing key business hubs such as Aberdeen Airport and the Bridge of Don. This also includes 20,000 homes and 196 hectares of employment & industrial land. It also includes 3,000 houses and 10 hectares of employment land in Countesswells and up to 8,000 homes in Elsick. These are areas in the City and Shire that form part of the contiguous area. Access to the major business parks in the neighbouring Shire (notably Westhill). Both Councils are contributing to this project. Both ACC and AC will contribute to this.
- **City Wifi Scheme** – to provide next generation wireless network deployed across the City to give enhanced broadband access capability for both residents and businesses. The access speeds obtained will be a function of the number of base stations deployed delivering download speeds of greater than 20Mbps. A deployment of this nature will provide citizens with an alternative to the ADSL services typically used in the City that suffer from contention and hence limited performance. It would also provide a commercial incentive to upgrade the City's exchanges. Implementation of WiFi hotspots across the City would provide benefits to businesses and consumers – providing remote access to key applications and flexible working. It is also likely to be attractive to visitors – enabling tourists to access local information and travel data. This is a concessionary scheme and would only requiring the use of Council assets as an investment stake.
- **Voucher Scheme**- available to SMEs including Non-Government Organisations, Charitable organisations etc to provide a grant up to £500 to contribute towards capital works to enable digital connectivity
- **White area in-fill**<sup>1</sup>- use UBF funding to gap fund the elimination of such white areas (subject to state aid approval). This will be undertaken either through a separate ACC procurement or as part of wider national procurements currently being undertaken by the Scottish Government. Should this procurement fail to eventuate ACC will make efforts to meet the DCMS's requirements within the given timeframes.

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<sup>1</sup> An area where there is an absence of affordable services at 2Mbit/s or above could be a useful retail indicator of a lack of effective competition and/or lack of economic viability for basic broadband networks, which will be surrounded by grey and black areas. Grey areas In a grey area NGA networks may exist or be planned, but such network or networks have not been constructed in an open way such that competition in high speed broadband services can be assured and there is no proven commitment by any operator to deploy an inherently open NGA network in the coming 5 years. A black area has access to NGA. The in-fill is providing NGA.

Should ACC be successful in its bid it is envisaged that ACC will undertake an accelerated procurement process commencing in early December 2012. This is because the UBF funds must be spent by December 2014. As ACC's bid is still in a competitive process, we are unable to disclose the total amount that has been bid. Should the bid be unsuccessful it is still viable to pursue the Open Access Fibre Network and City Wifi Scheme. ACC already has a procurement brief for a City Wifi Scheme, produced by Mott MacDonald. The Open Access Fibre Network has £4 million of funds from ACC and AC and it is possible to undertake the necessary procurement process so as to gain a development partner to undertake the work that is required. This plan not only considers the key development areas but will address the areas that will struggle to gain connectivity. The estimates the cost of specialist Procurement and legal advice be in the region of £330,000. There is budget allocated for this cost which will be spread across both this and next financial year.

Whilst the White area in-fill may not be possible in the short-term, this may eventually be addressed by the market. The voucher system may also be difficult to achieve but collaboratively with the Scottish City Alliance, ACC is working on Demand stimulation initiatives which can be replicated in the City.

## 7. REPORT AUTHOR DETAILS

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## 8. BACKGROUND PAPERS

The Scottish Government (2012) Infrastructure Action Plan - Step Change 2015  
Rest of Scotland Procurement Public Consultation  
The Scottish Government (2012) Scotland's Digital Future First Annual Progress Report and Update – 2012  
European Commission, (2012) *Draft EU Guidelines for the application of state aid rules in relation to the rapid deployment of broadband networks*  
The House of Lords Committee Communications Session 2012-2013 (2012) *Broadband for all— an alternative vision*  
The Scottish Government (2012) *Scotland's Digital Future - Infrastructure Action Plan*  
ACSEF Management Team Paper (2011) *Maximising Digital Connectivity – Next steps and Action Plan*  
The Scottish Government (2011) *Scotland's Digital Future A Strategy for Scotland*, <http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf>  
DCMS (December 2010) *Britain's Superfast Broadband Future*