ABERDEEN CITY REGION DEAL:
Powering Tomorrow's World

Report	Digital Infrastructure Business Case
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Date of Report	20th January 2017
Governance	City Region Deal Joint Committee

1:	Purpose of the Report

i. To seek approval from the Joint Committee of the business case for the Digital Infrastructure project within the Innovation theme of the Aberdeen City Region Deal.

2:	Recommendations for Action

i. It is recommended that the Joint Committee approves the business case proposed in this report (Appendix 1), subject to -

a. Approval of the business case by the UK Government and the Scottish Government;

b. Changes required to reflect additional information obtained on the R100 national digital programme and other UK Government and Scottish Government feedback; and

c. Positive Peer review by the Enabling Group.

3:	Summary of Key Information

i. The Aberdeen City Region is one of the most digitally active and dependent areas in Scotland. This demand is not matched by the supply of world class connectivity and competition. To address this, the Aberdeen City Region Deal (CRD) will provide affordable ultrafast connectivity for business premises and lay the vital spines for residential superfast connections in the City Region Deal area (effectively the Aberdeen Housing Market Area). This will also help to

3:	Summary of Key Information

introduce and support 4G and 5G services across the region..

ii. Establishing world class digital connectivity is not the goal in itself. The importance lies in how this will enable the wider economic and social ambitions of the City Region. World class digital infrastructure is fundamental to the Aberdeen CRD in supporting the delivery of the objectives of the Oil and Gas Technology Centre and the export and internationalisation aspirations of the sector, as well as facilitating the effectiveness of the Innovation Hubs in Life Sciences and Food & Drink.

iii. One of the key objectives of the signed Aberdeen City Region Deal is to enable the Oil & Gas supply chain to compete internationally and one of the measures agreed under the Deal was to improve digital connectivity to local businesses in order to help achieve this, with priority to be given to connecting ultrafast fibre to the business and industrial parks across the City Region.

iv. Aberdeen City Region remains poorly served when it comes to broadband infrastructure compared to the rest of the UK and its global competitors. The City Region has a high take up of basic broadband at around 80% but in a 2014 study into superfast broadband coverage, Aberdeen City Region ranked 61 out of 63 UK regions; and in a separate worldwide study of Oil and Gas cities, the City Region recorded the second slowest connectivity speeds of all cities surveyed. This finding was reinforced by a 2016 uSwitch survey which found that Aberdeen's broadband speeds were ranked 41st of the 42 largest cities.

v. An extensive GAP analysis of existing and planned infrastructure in the region was carried out through a programme of desk research and interviews with infrastructure owners and service providers. This revealed that to help regain economic competitiveness, a market intervention should be made, addressing the identified gaps in the market that will not be closed in the short term under existing market conditions. Priority should be given to connecting ultrafast fibre to the business and industrial parks across the region and the neighbouring residential areas in the key travel to work settlements. The target is for Aberdeen City Region to be ranked in the top 6 of UK regions for NGA availability and speed (out of 63).

vi. This will be delivered through two programmes of work:

- White Area In-Fill - This will seek to address the above gaps in the market by procuring ultrafast connectivity to serve businesses and residential premises within the Aberdeen housing market area.

- City Duct Network - This will extend and enhance the existing Council owned duct network in the City to enable to facilitate the efficient

3:	Summary of Key Information

delivery of services and ensure economic and social gains. This will support applications such as traffic management and a region wide sensor network. This investment will feed a regional data platform from which business, residential and public services can develop innovative applications.

4:	Finance and Risk

i. **Financial Considerations**
The project's funding model was approved as part of the Aberdeen City Region Deal by both Councils on 17th August 2016 and by the UK and Scottish Governments on 21st November 2016.

ii. **National Programme**
The Scottish Government is launching a national connectivity programme (R100) that seeks to provide a minimum of 30Mbps connectivity to every premise in Scotland. R100 procurement is likely to focus on the most rural areas of Scotland. There is a risk that if this project is absorbed by R100, Aberdeen City Region Deal's regional objectives will not be met. Officers have been meeting regularly with the Scottish Government to address this risk.

iv. **Private Sector Investment**
There is a risk around securing the private sector funding. Mitigation is to ensure projects are attractive and of a scale to encourage private sector interest and investment.

v. **State Aid**
There is a risk around ensuring procurement is State Aid compliant. It is anticipated that the Aberdeen CRD Digital Infrastructure procurement will be designed and developed with BDUK, Digital Scotland and SFT input and guidance and that the procurement will be overseen by BDUK to minimise the risk of any State Aid challenge.