

Finance and Budget Committee

10am, Thursday 6 June 2013

Connected Capital Programme Status Update

Item number	7.6
Report number	
Wards	City Wide

Links

Coalition pledges	P7, P8, P15, P16, P31
Council outcomes	CO7, CO8, CO19
Single Outcome Agreement	SO1

Alastair D Maclean

Director of Corporate Governance

Contact: Simone Hislop, Programme Manager

E-mail: simone.hislop@edinburgh.gov.uk | Tel: 0131 529-2145

Executive summary

Connected Capital Programme Status Update

Summary

This report provides an update on Edinburgh's 'Connected Capital' programme bid to the Urban Broadband Fund (UBF) as part of the UK Government's Super-Connected Cities initiative.

Since the announcement of the award, discussions with the EU Commission around state aid have led to restrictions on the use of the funding and BDUK now require significant changes to the programme. This report provides an update on, and seeks approval for the revised plans for the programme.

Recommendations

It is recommended that the Finance and Budget Committee:

1. notes the current status of the Connected Capital Programme and that the approach is in line with other successful Urban Broadband Fund (UBF) cities across the UK;
2. notes that the Fixed broadband capital infill programme will not now proceed as a result of the requirement for an EU state aid investigation;
3. notes that the Council has undergone a significant re-scoping exercise in very short timescales to redefine the programme to comply with the criteria and meet UBF outcomes;
4. agrees to the re-scoped proposals set out in sections 2.3 and 2.4;
5. agrees to option c) set out in section 2.5.1;
6. agrees to the approach towards implementation set out in section 2.5; and
7. delegates authority to the Director of Corporate Governance to approve the terms and conditions of the grant funding with BDUK.

Measures of success

1. Provide high speed mobile wireless connectivity in a network that best meets demand in the city and opens up new business and social inclusion opportunities.
2. Promote economic growth for the city through improved SME business connectivity and support for inward investment and key sectors.

Financial impact

To date the Council has spent £350k of £1.9m earmarked to support the programme from the IT efficiency Fund. It is proposed that the measure set out in section 2.5.3 of

this report are put in place to better manage the project and thereby contain costs and thus mitigate the financial risk to the Council. The council expects to obtain feedback from BDUK by the end of June on the acceptability of the revised £10.7m plan.

Equalities impact

There are no specific equalities impacts arising from this report. It is anticipated that this programme will improve digital inclusion within the city.

Sustainability impact

The programme offers a full range of benefits for the council's sustainability. All required procurements will be compliant with the Council's Sustainable Procurement policy.

Some examples of specific sustainability impacts arising from the programme include:

- Social – The programme supports investment in high quality jobs for the city as well as providing the required infrastructure for training, and wider collaboration. Free open air and public building WiFi improves digital inclusion and offers opportunities for civic participation.
- Environmental – Public Transport wifi will encourage increased use of public transport contributing to reduced air pollution from use of private vehicles.
- Economic - The programme's focus upon small to medium sized business connectivity and digital capacity enhances the economic diversity of the city. It drives innovation and new business formation.

Consultation and engagement

The programme is proactively engaging with a wide range of internal and external stakeholders including Scottish Enterprise, Federation of Small Business and other public sector partners to shape and develop the overall programme. It is anticipated that this engagement will continue throughout the life cycle of the programme

Background reading / external references

- [Item 14 Urban Broadband Fund Bid at Finance and Resources Committee on 20 March 2012](#)
- [Item 7.2 Urban Broadband Fund - BT Efficiency Fund at the City of Edinburgh Council Meeting on 26 April 2012](#)
- [Urban Broadband Fund Bid Meeting Results - City of Edinburgh Council – Update, Policy and Strategy on 2nd October 2012](#)

- [Connected Capital Programme Status Update, Corporate Policy and Strategy on 16th April 2013](#)
- [HM Treasury Autumn Statement 2011](#)
- [Scottish Government - Scotland's Digital Future - Infrastructure Action Plan](#)

Connected Capital programme status update

1. Background

- 1.1 In 2012 the Council was awarded £10.7m from the Urban Broadband Fund (UBF) as part of the UK Government's Super-Connected Cities initiative, the detail of which was approved by Council.
- 1.2 This funding is provided by the Department for Culture Media and Sport (DCMS) and delivery is being supported by Broadband UK (BDUK).
- 1.3 Since the announcement of the award, discussions with the EU Commission around state aid have led to restrictions on the use of the funding and BDUK now require significant changes to the programme.
- 1.4 This report provides an update on Edinburgh's 'Connected Capital' Programme and the changes which have been made to the bid in order to comply with new criteria.

2. Main report

2.1 Original submission

- 2.1.1 The original submission for £10.7m of funding from the UBF was based on the over-riding objective of driving both economic growth and digital participation. It contained the following elements:-
 - 2.1.1.1 **Wireless** – an open access wireless zone covering the core areas in the city centre, with the potential to extend this to key cultural and community locations across the city. This would be a concessionary contract to be delivered at no net cost to the Council.
 - 2.1.1.2 **Fixed broadband capital infill** – £9.7m funding for fibre based broadband infrastructure for those areas of the city which are not currently covered by existing commercial rollout plans.
 - 2.1.1.3 **Voucher capital stimulation** – £1m funding focused on small to medium sized enterprises (SMEs) in the city to assist in gaining broadband connections.

2.2 Subsequent development

- 2.2.1 The Council was informed on 2 May 2013 that the original scope of Fixed broadband capital infill would likely be subject to an EU state aid investigation lasting 7-18 months.

2.2.2 As this was not acceptable to DCMS, the funding provider, the Council was asked by BDUK to fundamentally re-scope the bid and submit revised plans by 21 May 2013 in order to remove that part of the programme from the submission.

2.2.3 The revised bid required to meet the following criteria:

- the programme completion date must remain as 31 March 2015 and any deployment must take place ahead of that date;
- UBF monies must only be used for capital costs;
- workstreams should contribute towards a vision of growth through connectivity as set out in the original bid; and
- funding for each element of the programme would be subject to state aid approval being in place or not required.

2.3 Revised submission

2.3.1 The Fixed broadband and capital infill element made up the bulk of the funding so a significant amount of work and consultation has been undertaken over the last few weeks to develop new proposals which comply with the criteria above.

2.3.2 A revised submission has now been prepared. That was provided to DCMS on 21 May 2013.

2.3.3 Whilst various alternative proposals were considered to be of possibly greater benefit, informal indicators from DCMS/BDUK were that these were unlikely to attract the necessary funding. As a result the revised submission now contains the following proposals:-

- **Wireless** – an open access wireless zone covering the core areas in the city centre, with the potential to extend this to key cultural and community locations across the city.

In addition the revised plan increases the scope of activity in this area to include public transport and public buildings.

- **Voucher capital stimulation** - This revised proposal increases funding to £3m, aligning to BDUK and market place feedback. Positive feedback has been received from BDUK around the approach developed by Edinburgh in this regard and it is their intention to use this as the blueprint for a National Voucher Scheme.
- **Key sector and inward investment** - A new project, supporting the Council's Strategy for Jobs.
- **Festivals, tourism & culture** - A new workstream supporting the Coalition's Pledge to "Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure".

2.3.4 Further detail of these proposals is set out below:-

Wireless

- a) Widespread wireless access, whether through 3G, Wi-Fi or 4G will increase the user experience of connectivity within Edinburgh and provide a platform for economic and social growth and participation, with particular benefits to the culture and tourism sector.
- b) The strategy of the wireless concession is to make use of the Council's street furniture and other property assets in the city centre at zero cost to the council.
- c) This concession proposal still stands and is independent of any funding from BDUK. It is proposed that this is the first project which is developed into a business case.
- d) A revised plan now extends to procuring up to £2.7m of infrastructure to implement wireless coverage across the city on public transport including trams and buses and indoor wireless to council owned or leased buildings including museums, galleries and libraries.

Voucher capital stimulation

- a) Progress has been made to establish a voucher scheme that would be administered by the Council's Business Gateway function. The launch of the voucher scheme will be dependent on approval of a quality assurance gateway from BDUK. The UK Government will also be making a detailed submission to the EU Commission for an umbrella voucher scheme. The Council awaits feedback from that before launching its own voucher scheme.
- b) Once approval is granted from BDUK, it is likely that the Council will be well placed to launch a voucher scheme promptly and ahead of many other UBF cities.
- c) Following feedback from BDUK and the market, the funding request for this workstream has increased from £1m to £3m, representing a higher capped level of funding per voucher, aligned with the market pricing.
- d) Work is ongoing within Economic Development to launch an incubator and demonstrator facility of ultrafast broadband. The incubator is scheduled to open in July 2013.

Key sectors and investment

- a) This is a new workstream targeting Edinburgh's key sectors and the priorities of the Strategy for Jobs, namely: connectivity; high end user equipment; and kitting out for ultrafast use, including cloud-based services and training.

- b) This initiative will also seek to collaborate with the universities and the incubator community in Edinburgh to provide additional infrastructure of up to £4m of UBF monies.

Festivals/tourism/culture

- a) This is a new workstream which will seek to build on Edinburgh's leading reputation for tourism and festivals. It will provide £1m of infrastructure to make available access to an archive of festival and cultural activity. This has the potential to increase dramatically the productivity and revenue potential of the existing data collections
- b) Other ideas were considered by the Council but were not considered to be eligible by BDUK.

2.4 Comparison of original and revised submissions

2.4.1 The following table provides a comparison between the original submission in 2012 and the revised submission:

	August 2012 submission	May 2013 submission
Wireless	Nil	£2.7m allocated to invest in public transport and public buildings.
Fixed broadband capital Infill	£9.7m	Nil
Voucher capital stimulation	£1m	£3m to reflect higher capped voucher value.
Key sector inward investment	Nil	£4m
Festivals/ tourism/ culture	Nil	£1m
Total UBF funds	£10.7m	£10.7m

2.5 Proposed approach to implementation

2.5.1 Given the change in circumstances the Committee has the following options:

- a) withdraw from the initiative and withstand the loss of £350k spent to date;
- b) pursue the bid, if given approval by DCMS; or
- c) pursue the bid, if given approval by DCMS, but ensure that for each element of the programme, a cost benefit analysis is carried out prior to a decision being taken on proceeding.

- 2.5.2 It is recommended that the council proceeds with option c).
- 2.5.3 Whilst the Council has spent £350k of the £1.9m earmarked to support the programme from the IT efficiency fund, it is proposed that various measures are put in place to better manage the project, in light of the uncertainties inherent in the programme structure. These include:-
- a) ensuring that the terms and conditions of the grant from BDUK are on acceptable terms so that drawdown can take place on a project by project basis;
 - b) where state aid approval is required, ensuring that it is in place prior to any material costs being incurred in connection with any proposal;
 - c) in addition to the steps required by BDUK, carrying out a project initiation/gateway review by the Corporate Programme Office ('CPO'). The programme is currently carried out by the CPO and it is proposed that it is managed differently within Corporate Governance to maintain the integrity of the review process and with input from ICT solutions;
 - d) preparing a business plan for each project to ensure that there is a suitable business case prior to proceeding with it; and
 - e) minimising cost, by capping costs associated with the programme outside an approved business case to £500k.

3. Recommendations

- 3.1 It is recommended that the Finance and Budget Committee:
- 3.1.1 notes the current status of the Connected Capital Programme and that the approach is in line with other successful Urban Broadband Fund (UBF) cities across the UK;
 - 3.1.2 notes that the Fixed broadband capital infill programme will not now proceed as a result of the requirement for an EU state aid investigation;
 - 3.1.3 notes that the Council has undergone a significant re-scoping exercise in very short timescales to redefine the programme to comply with the criteria and meet UBF outcomes;
 - 3.1.4 agrees to the re-scoped proposals set out in sections 2.3 and 2.4;
 - 3.1.5 agrees to option c) set out in section 2.5.1;
 - 3.1.6 agrees to the approach towards implementation set out in section 2.5; and
 - 3.1.7 delegates authority to the Director of Corporate Governance to approve the terms and conditions of the grant funding with BDUK.

Alastair D Maclean

Director of Corporate Governance

Links

Coalition pledges	P15 - Work with public organisations, the private sector, and social enterprise to promote Edinburgh to investors
	P16 - Examine ways to source new funding to support small business.
	P31 - Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure
Council outcomes	CO7 - Edinburgh draws new Investment in development and regeneration
	CO8 - Edinburgh's economy creates and sustains job opportunities
	CO19 - Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	SO1 Edinburgh's Economy Delivers increased investment, jobs and opportunities for all

Appendices