

## **POLICY AND RESOURCES COMMITTEE 18 APRIL 2013**

### **DIGITAL CONNECTIVITY – OPEN ACCESS CABLE PROJECT**

#### **1 Recommendations**

The Committee is recommended to:

- 1.1 Agree in principle that Aberdeenshire Council enters into a funding agreement with Aberdeen City Council to share the costs of professional fees involved in developing a Market Economy Investor Principle, or other commercial delivery model for the open access cable project and for other parts of the programme which will improve digital connectivity in Aberdeenshire and Aberdeen City subject to Aberdeenshire Council's share not exceeding £200,000 over a period of three years (the anticipated timescale for delivering the project); and**
- 1.2 Delegate authority to agree the detailed terms of the funding agreement to the Chief Executive.**

#### **2. Discussion**

- 2.1 Policy and Resources Committee agreed at its meeting on 10 November 2011 (Item 7) to commit up to £18m to improve digital connectivity in Aberdeenshire. Of this sum, £2m was allocated to building and operating an open access fibre optic cable network extending around the west of Aberdeen and including Westhill. The capital cost of this project is approximately £15m.
- 2.2 The cable project is to be jointly delivered with Aberdeen City Council (ACC) and commercial partners.
- 2.3 In September 2012, the Councils submitted a joint bid for Urban Broadband Fund monies in pursuit of the open access cable project and a number of other initiatives in Aberdeen City. The project as a whole is entitled 'Accelerate Aberdeen'.
- 2.4 The Chancellor of the Exchequer, in his Autumn statement on 5 December 2012, announced that the Accelerate Aberdeen submission was successful in being awarded UBF 2 (Urban Broadband Fund round 2) monies. The Chancellor has not to date however, announced how much each successful bidder had been awarded.
- 2.5 Obtaining State Aid clearance for publically funded infrastructure upgrades in urban areas is proving more difficult than anticipated and there is no guarantee that this will be successfully negotiated.
- 2.6 The alternative model being considered by the UBF project managers envisages vouchers being issued to prospective subscribers to allow them to access superfast broadband services but such a scheme is unlikely to deliver the infrastructure aspired to by ACSEF and the Councils and which is required to deliver superfast services to the wider community

- 2.7 The Aberdeen City and Shire Digital Connectivity Board has therefore agreed that it should pursue an infrastructure based solution with or without UBF monies and to seek commercial partners to develop and operate the cable network under the Market Economy Investor Principle (MEIP) or other suitable commercial model.
- 2.8 The external professional advisers required to help develop and deliver the MEIP will help identify commercial partners, develop the business model and plan and ensure that the MEIP notification meets MEIP requirements which are broadly that public money is not made available at lower cost than the then market rate and that the business is commercially viable.
- 2.9 Subject to agreement on funding, it is proposed to undertake a formal procurement exercise to identify and appoint a professional adviser.
- 2.10 The capital costs of the broadband infrastructure upgrades envisaged in the two Council programmes could cost up to £60m and the professional adviser appointed will work on any other aspect of the programme as may be required

### **3. Equalities, Financial and Staffing Implications**

- 3.1 An equality impact assessment is not required because the recommendations have no differential impact on any of the protected characteristics. If the Committee approves the recommendation, options to advance equality of opportunity will be considered as the project to deliver open access cable progresses. The potential for positive and negative equality impacts will be kept under review throughout the project's lifetime.
- 3.2 There has been significant officer time deployed to date in assembling the UBF bid, in meeting with UBF project managers, responding to their requests for additional information and discussing the way in which UBF monies might be deployed, especially necessary as the bid template has been effectively superseded by the emergence of State Aid problems on a scale not envisaged when bids were called for/submitted
- 3.3 The Head of Finance has been consulted and has indicated that the costs of these professional fees can be funded from the £2 million provision for this project held within the Invest to Save Fund.
- 3.4 The Head of Legal and Governance has been consulted on the content of this report and her comments included herein.

**Christine Gore**  
**Director of Corporate Services**

Report by: - Roddy Matheson, Industry Sector Manager  
13 March 2013