

Cabinet

4 June 2013

Joint Report of the Leader/Cabinet Member for Finance,
Performance and Customer Service

Super-Connected Cities Progress Report

Summary

1. The City of York Council (CYC) was one of twelve successful Super-Connected City Programme Round 2 winners announced by the Department of Culture, Media and Sport (DCMS) as part the Autumn Statement 2012.
2. York's submission secured an initial £2.75m from this programme to enhance citywide digital connectivity across a range of exciting and innovative projects (which is in addition to the implementation of York's public sector digital network which has been recognised as a public sector exemplar). This report describes the eight innovative York projects to be taken forward under the Super-Connected Cities (SCC) programme, highlights progress and the proposed governance arrangements. It recommends that the Cabinet should approve the Council's contribution to the programme of £869,000 and suggests that a Digital Strategy should be put in place to steer new investments guided and advised by a Digital York Board.

Background

3. York's Super-Connected City (SCC) proposals were designed to complement and build on existing digital initiatives underway or planned, and therefore an understanding of the need for digital investment and the current and planned investments is an essential pre-requisite to understanding the SCC proposals.
4. The importance of enhancing York's digital connectivity was recognised in the 2011 Council Plan which set a target of 95% of

all businesses (and premises) having the opportunity to have minimum connection speeds of 25 megabits per second (Mbits) by the end of 2014/15 and was in line with the national BDUK targets.

5. The overall benefits of enhanced digital connections include, inter alia:
 - An opportunity for businesses to operate more efficiently and to develop new products and services, particularly for knowledge based industries that are driving economic growth in York and the wider City Region. Faster broadband can reduce operating and capital costs, especially through cloud computing, and can help reduce barriers to entry for new and expanding businesses. Independent research suggests that Gross Value Added (GVA) can increase across the UK economy by £15 for every £1m invested;
 - Enhanced quality of life for residents through improved digital experiences - faster down/up loads, TV replay service, surfing, social media and to game playing online simultaneously. In the education and health sectors, new products using broadband services will help those wishing to learn and provide new ways of supporting the vulnerable and elderly;
 - Environmental benefits as high quality and interactive voice & visual channels mean businesses can keep in touch with customers while they cut down on travel and the ability to upload large data files making remote working from home achievable; and,
 - Facilitating “digital by default” as public sector organisations, including the Council, exploit faster connections, which if augmented by services, will make realistic the provision of public services via digital networks.

6. The current levels of digital connectivity across the City, can be at best described as “average” as suggested in Table 1: York’s Digital Dashboard. Average fixed broadband speeds of 11 Mbps highlight the scope for significant improvements if we are to achieve the Council Plan target of 25 Mbits for the majority of York’s business and residents.

Table 1: The York Digital Dashboard

	York	UK	York Performance Relative to UK Average (ii)
Average Fixed Broadband Speeds	11.0 Mbits	12.7 Mbits	Below
Connections Operating Below Universal Standard of 2 Mbit/s	10.3%	10.0%	Average
Premises with Opportunity to access Superfastbroadband (30 Mbits download)	70.5%	65%	Average
Premises Accessing Superfastbroadband	5.7%	7.3%	Below
Households with Access to Internet	67.5%	67.7% (iii)	Average

Notes:

- (i) Data provided from OFCOM “Infrastructure Report – 2012” other than “Households with Access to the Internet” which is from the 2011 Acxiom Lifestyle survey.
- (ii) Average is defined (by CYC) as being within 10% of UK mean
- (iii) 67.7% of households with access to the Internet is an England figure rather than a UK figure (a UK figure is not available)

7. To address the digital York gap a number of initiatives are in place, outside of the Super-Connected Cities programme, and these are described below.

Commercial Investment Enhancing Connections to Premises.

8. The process of improving digital speeds within the City is being driven by promoting York as a place for the private sector to invest in telecoms infrastructure. BT, the dominant telecommunications company, has outlined its national roll out of its commercial Superfast Broadband programme based on Fibre to the Cabinet (FTTC) and replacing large lengths of copper lines with fibre. The superfast will typically provide download speeds of 30 Mbits although in some areas can reach speeds of 80 Mbits although upload speeds will be nearer to 5 mbits. We are scheduled to secure confirmation from BT in the coming weeks on the impact of their superfast broadband commercial programme on York’s digital dashboard in terms of the numbers of properties they will reach/pass through their commercial improvement plan.

9. To help promote healthy competition and provide a choice for York's residents and businesses, we have engaged with a number of providers in addition to BT with a view to improving their infrastructure presence in York. One of those providers, CityFibre, is currently finalising their commercial investment plan for York which is near the start of a three year implementation period. York is one of the vanguard cities for CityFibre as it seeks to achieve a major foothold in the wholesale communications market providing fibre based connectivity.
10. For "Urban York", see Figure 1 in Annex A, CityFibre are putting in place a new commercial and open network which will provide an opportunity for Internet Service Providers to deliver broadband products and services with speeds of up to 1 gigabit (1000 Mbits), predominantly based on fibre to the premises technology. Commercial discussions are on-going with implementation expected to start in the autumn 2013 with a test scheme of approximately 2000 properties, predominantly residential but also business premises.
11. CityFibre has also been encouraged to focus on the business community (outside of the test area), recognising the Council Plan economic and job generation priorities. CityFibre is working with service providers to provide significantly better connectivity in some of our business parks and the first of these is ready to proceed, although its launch might be delayed to align with the launch of the voucher project described below as part of the Super-Connected Cities programme (see para's 17 and 19).

DCMS Rural Broadband Programme for Enhancing Wired Connections to Premises.

12. The UK government has set a target of having the best superfast broadband network in Europe by 2015, with superfast broadband networks available to 90% of all homes and businesses, with a minimum broadband connection of at least 2Mbits for others.
13. The DCMS rural funding allocation for York and North Yorkshire of £17m (which has been matched by European funding) is administered by North Yorkshire County Council and its wholly owned company, NYNET. Following a procurement process, the contract to deliver improvements to the North Yorkshire and York network was awarded to BT in July 2012. BT is scheduled to

deliver a North Yorkshire and York sub-regional rural programme over 2012 to 2014. The programme is largely based on replicating BT's superfast commercial FTTC programme with 13% of all properties in York expected to achieve speeds of 25Mbps as a result of funding with all other properties in York villages and hamlets are expected to achieve the "Universal Standard Speed" of a minimum of 2 Mbps.

14. BT and NYNET have not released the finer details of the areas likely to achieve superfast speeds, since the initiative is based on a rolling programme and the final stages of the programme have not been defined. However, Annex A Fig 2 sets out those areas planned to achieve superfast availability by April 2013 and we will continue to work with NYNET to secure a more informed progress report that we can then report on its performance and status of the next phase of the programme.

City of York Council Initiatives.

15. The Council's reputation within the telecoms industry and with DCMS has been enhanced by the implementation of a series of Wi-Fi projects. These include the provision of Wi-Fi broadband access in York's Explore Centres & Libraries to complement the free fixed broadband access points, and the provision of external Wi-Fi in the City Centre, within the Museum Gardens and Rowntree Park.
16. These Wi-Fi hot spots have generated significant media interest and we have received positive comments on the benefits of faster wireless communications from business persons, residents and visitors.

The Super-Connected City Programme

17. York has provisionally been allocated a budget of £2.75m as part of the SCC programme and an executive summary of the York SCC programme is available on request. The proposals were based on York's potential establish to a comprehensive digital highway by 2015 that would propel the City into becoming one of the best digitally connected cities in Europe. The Super-Connected Cities Programme i) minimises the extent to which York developed a two speed digital economy by focussing on the opportunities which the market would find challenging without

support and ii) puts in place a number of projects that would place York at the top end of digitally connected UK cities.

18. The programme is focussed on the following 8 projects that complement existing private and public digital investment. Table 2 identifies these projects, describes the proposed beneficiaries and also highlights the current target date for implementation and a description of these projects follows the table.

Table 2: SCC Projects, Beneficiaries and Delivery Targets

Project	Beneficiaries	Indicative Target date for Implementation
Enhancing Ultrafast Broadband for Businesses.	Small and Medium Enterprises i.e SMEs with up to 250 employees	Autumn 2013 launch of the voucher scheme with implementation phased across 2013/14 and 2014/15
City Centre Wi-Fi/ Wireless.	York's workforce, business visitors, leisure visitors, residents and city centre businesses	Nov2013/ to Jan 2014.
Business Parks	Business visitors	2014/15
Public Transport	York's commuters, leisure visitors, residents and businesses	Nov/ Dec 2013
Digi-Education	Schools and those in secondary level education	2014/15
Telecare/ health	York residents with health issues	2014/15
Digital Inclusion	York's residents who are not digitally connected and are not participating in digital opportunities	2014/15
Large Screen Technology	Residents, visitors and businesses.	March/ April 2014

19. **Enhancing Ultrafast Broadband for Businesses.** This project originally emerged as an initiative for outer York (see Annex A Fig 1). Some 21% of York's business stock is in outer York and there is a risk that a two-tier digital economy could emerge, polarised between urban York where City Fibre is actively providing Ultrafast Broadband and outer York which requires public funding through the rural programme in order to achieve superfast speeds at best. This divide is likely to accentuate with time as the knowledge economy becomes increasingly central to the continued growth of York's economy. Therefore, for those businesses in Outer York (Fig 1) that require ultrafast broadband will have an opportunity to apply for a voucher (grant) that will provide support towards the cost of providing ultrafast speeds (100 Mbits minimum). However, we are also working with BDUK and seeking to extend this voucher scheme into some of our Business Park areas within Urban York. The stimulus of support via a voucher should enable sufficient demand to be identified, from a range of businesses seeking enhanced connections, and therefore accelerate commercial investment in the infra-structure to facilitate ultrafast speeds.

20. **Wireless.** Promoting the availability of a quality and fast city centre wireless and wi-fi service, facilitating access to knowledge and data and high speed digital communications for tourists, business, retail and commercial visitors is a priority for a city centre that is both a tourism destination (with over 7 m visitors per annum), a business hub. There are three interconnected wireless projects for the city centre, business parks and also selected strategic public transport corridors, particularly the park and ride routes and also the Yorkshire Coastliner bus service linking the strategic City Region growth hubs of Leeds and York with a future-proof solution that will include 4G services and beyond. In addition, we are seeking to complement the city centre wireless initiative and the fixed nature of large screens (see below) by developing smart and tablet applications for visitors. York is seeking to be at the forefront of creating an environment that attracts and retains visitors. An application that presents real-time visitor information is essential, and CYC are also due to launch a combined sign posting and an augmented-reality application early May that will interpret a number of York's visitor destinations through holograms that our visitors and residents can become part of. The city centre wireless project will be critical to ensuring the visitor application is successful.

21. **Digital Education.** Digital connectivity provides an excellent platform to showcase a digitally enabled learning city. All secondary and primary schools in York are already well connected to the digital highway via the fibre metro network and the focus is now on the opportunity to exploit digital connectivity. The project would integrate schools and their communities through digital applications, so that the best resources are available to all. Schools would be equipped to use dedicated tele-presence/ videoconferencing suites and interactive online tools building on existing partnerships and developing joint learning and cross-school lessons.
22. **Telecare and Telehealth.** York, through its GeniUS project, has led the way in developing new answers to service delivery challenges, particularly around public sector service transformation. This project builds on this initiative through the provision of specialist equipment including desk top boxes that would allow remote diagnostics by health professionals together with two-way relative-focused monitoring equipment. The project would pilot and showcase the possibilities based on one or two pilot areas with digital kit based in households where residents have special medical needs, York District Hospital, GP surgeries/medical centres and nursing/ care homes.
23. **Digital Inclusion.** This pilot project seeks to greatly reduce digital exclusion within areas of deprivation in the city. The pilot programme in a pilot area to be selected would address the challenge of access to the internet by the provision of free wi-fi through a neighbourhood hub in a pilot area so that fast broadband access is not only available but also affordable. CYC and its partners would complement SCC with an extensive programme of support, which would include the deployment of a targeted mini-team to provide one-to-one and group education. But with a dedicated outreach worker acting as an enabler encouraging different services to bring resources to tackling problems in particular areas. The outreach worker would make links with other services particularly those identified within the current Digital Inclusion Network. The development of volunteers and community champions is a key aspect of the project. This community capacity building approach is crucial to the project and would provide part of the legacy for the project.
24. **Large-Screen Technology.** York has an opportunity to communicate with residents and visitors, and to promote York as a

destination for investment and facilitate community cohesion through the use of city centre large screens and displaying quality local and national information. Large screens provide a clear symbol that York is a modern dynamic location to live and also to work. Screen content would involve a blend of national coverage, including the Tour de France, and community coverage (plans are still being discussed for a local York TV network).

Progress

25. Following DCMS approval of the programme we now have an opportunity to re-scope the project ideas submitted in outline as part of the bid. Outline Project Initiation Documents have been produced for the majority of the eight projects within York's submission for assessment and feedback from DCMS and Project leads have/ are being identified for all the projects and mini project teams are being set up to plan the work and achieve implementation.
26. Since the initial Autumn statement announcement, several challenges have emerged which could potentially impact on the SCC Programme - both rounds One (for major cities) and Two.
27. The implementation period of 2013/14 will be very challenging. The Council and other local authorities have lobbied for an extension of the implementation period and following negotiations between the Treasury and DCMS this now looks like being agreed. This is only reasonable since the legal challenges to some proposed SCC 1 projects has resulted in slippage from within DCMS and it would be an extension to the end of 14/15 appears likely.
28. DCMS is clearly sensitive to recent legal challenges in relation to SCC round One from the telecoms industry and the suggestion that some public sector projects undermine competition in the industry. DCMS is leading the process for projects which are captured by the EC State Aid provisions for the SCC programme, but do not expect State Aid approvals to be achieved until September 2013 at the earliest if at all, and this could possibly impact on the Enhancing Ultrafast Broadband for Businesses project.
29. The funding of Wireless projects across the SCC programme is proving to be particularly complex for all those Cities who have a

Wireless project(s), however, we anticipate the wireless on public transport project for York and other Cities to be reasonably straightforward. But the current State Aid restrictions, will make the implementation of the of other wireless projects including York's City Centre and Business Park wireless projects challenging. Initial feedback from national, regional and local providers is suggesting that its highly unlikely to secure a fully funded private sector project especially given the proposed geographical coverage and the need to make it affordable for residents/business community and visitors to access.

30. Gap funding from the SCC programme would need DCMS to secure EC State Aid approval and there is insufficient time to achieve this, therefore, we are reviewing a possible approach/option with DCMS and we are now more sanguine about the City Centre project.

Financials

31. At this stage we are not able to be precise about the financial implications of the programme, until the projects are confirmed and scoped, and the State aid related issues are resolved or agreement secured with our proposal for the City Centre wireless project. However, the broad financial parameters are in place and set out in table 3.

Table 3: Financial Investment

	Funding Component	£000s	Comments
Capital Expenditure			
1.	Super-Connected City Funding provided by DCMS	2750	Capital Funding only. Current planned expenditure period of 2013/14 (although DCMS considering an extension to include 2014/15)
2.	CYC	315	
3.	Other	790	
Total Capital Cost of Programme		3855	

Revenue Expenditure			
4.	CYC	554	Based on an assumed two year programme.
5.	Other	440	
Total Revenue Cost of Programme		994	
Total Investment Value of the Super-Connected City Programme (Capital and Revenue)		4849	
Total Cost of the Programme to CYC (Capital and Revenue)		869	

32. The SCC funding from DCMS is for capital expenditure only and the bid was constructed in order to achieve maximum value. At this stage the match funding figures are broad estimates as is the proposed cost, over a two year period to CYC with funding to be committed from the Economic Infrastructure Fund. The proposed costs to the Council are at the top end of possible CYC costs as we seek to maximise partner contributions as we continue to promote opportunities for private sector investment in the projects.

Governance

33. Government guidance requires a Project Board to oversee and guide the SCC programme. With a number of interrelated digital activities taking place it would be sensible to put in place a “Digital York” Board, which should steer not just the SCC programme but also promote private and public investment opportunities in new infrastructure as well as encouraging engagement in new technologies by businesses and residents. It is proposed that the Digital York Board would be chaired by the Chief Executive and that the Chief Executive should be delegated the authority to agree its membership and terms of reference. The terms of reference would acknowledge its role in providing leadership and integration to the city’s digital investments but decision making in relation to Council resources remains as an executive function i.e. with Cabinet, Portfolio Holder and on occasions with officers depending on the nature and value of the decision.
34. It would be helpful if the following were represented on the Board: Without Walls Partnership and/ or York Economic Partnership,

private sector telecommunications expertise, Head of ICT and Super-Connected City Programme Manager. The Board would be supported by a Digital User Group to which the individual project teams/ project leads would report.

Consultation

35. The Super-Connected City programme has involved a range of private, public and voluntary sector partners in its preparation and as part of the current re-scoping of projects. Individual projects will continue to involve a range of partners and the proposal to set up a Project Board will provide a platform for engagement on York's wider digital agenda.

Options

36. There are only two relevant options for the Super-Connected Cities programme i.e. to participate or to withdraw from the Programme.

Analysis

37. **Participate.** The SCC programme provides a worthwhile opportunity to capitalise on external funding and progress a range of interesting and innovative projects that would not otherwise proceed.
38. **Withdrawal.** Withdrawing from the programme would avoid £869 000 of expenditure being funded from the Economic Infrastructure Fund but would lose £2.75m of government investment that could not be achieved through separate private sector initiatives. The £869k of CYC funds attracts external funding at a ratio of 3.1:1 in favour of the Council.

Council Plan

39. The first part of this report, Para 4, sets out the Council Plan target for digital connectivity, and a recognition that York needed to promote digital investment so that the infrastructure matches the City's aspirations for job creation in the expanding knowledge economy.

Implications

40. The following implications are relevant:

a) Financial

The direct financial implications relating solely to this scheme are covered within the main report (para's 31 and 32).

In terms of the overall Economic Infrastructure Fund, the fund size is £28.500m covering the period 12/13 – 16/17 and is funded from combination of prudential borrowing and government grant. Annex B – Table 1 sets out the updated amounts allocated by scheme and shows that £16.663m of the £28.500m is currently committed/allocated. The £16.663m includes both this bid and if approved will leave a balance of £11.838k to be allocated.

The profiling set out in Annex B – Table 2 indicates potential for significant over commitment in 13/14. However it is anticipated that there will be a need to re-profile a number of schemes, which will reduce significantly the over commitment, this will be covered in the quarterly capital monitoring report.

b) Human Resources/ Equalities

Not relevant at this stage, however each project will include an equalities assurance process. The digital inclusion project and the Digi Education projects in particular should make significant contributions towards the equalities agenda, providing new skills and access to new information that can contribute towards a fairer society.

c) Legal

Projects will need to be implemented in a manner which is consistent with State Aid guidance and an on-going input to the projects will be essential. That input will be provided by the in house team with specialist external support as necessary

d) Crime and Disorder.

No substantial implications. However, the Large Screen project has the potential to provide specific information that could contribute towards reducing crime and disorder.

e) Information Technology

This paper is focussed on information technology

g) Property

Property services are engaged in this programme and will continue to contribute on a project by project basis. For example, the City

Centre Wi Fi project is likely to make use of Council assets (lampposts and buildings) and legal agreements will need to be put in place reflecting the potential financial and other benefits and potential liabilities to providers and the Council.

Risk Management

41. A separate risk management register will be maintained and actioned as part of the management of the programme. The greatest risks relate to:
 - a. the need to obtain cross directorate support and involvement for the individual projects and to meet their agreed delivery timescales. A formal Programme Board will provide a helpful mechanism for monitoring and managing progress;
 - b. a possible failure by BDUK to obtain State Aid approval for the voucher scheme (para 19).

Conclusion

42. The SCC programme represents an exciting opportunity for York's businesses, residents and visitors. Many of the SCC programme projects are exciting and innovative. Their implementation will enhance commercial investment already taking place in the city by the telecom industry and will contribute towards ensuring that digital benefits are available to all and not just those areas attractive to private sector investment. New infrastructure and ultra-fast digital connectivity will provide the climate that will facilitate growth and enhanced quality of life for residents. York will also have a one off opportunity to benefit from its improving digital infrastructure through on-going pro-active work, particularly around the inward investment, health and education agendas, recognising that putting in place enhanced digital infrastructure is simply an essential step but its exploitation is the key towards York's continued growth and development.

Recommendations

The Cabinet is asked to agree that:

1. the Council should contribute £869 000 towards the £4.849m Super-Connected Cities programme, and that this cost should be allocated to the Economic Infrastructure Fund.
2. a Digital York Project Board should be put in place and the Chief Executive should be delegated the authority to agree its

membership and terms of reference. The Digital York Board should oversee and guide the York Super-Connected Cities Programme.

3. a priority for the Board should be to prepare a Digital York Strategy and Delivery Plan.

Reason: York's Super-Connected City (SCC) proposals are designed to complement and build on existing digital initiatives underway or planned, to support the need of enhancing York's digital connectivity. This was recognised in the 2011 Council Plan target of helping to establish a digital infrastructure within the City to provide speeds of 25 megabits per second (Mbits) for majority of York's business and residents by the end of 2015 and was in line with the national BDUK targets.

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	Report Approved	√	Date 1 May 2013
Specialist Implications Officer(s) <i>List information for all</i>			
Wards Affected: <i>List wards or tick box to indicate all</i>		All	√

For further information please contact the author of the report

Background Papers

Executive Summary of Digital York's Proposals for a European Digital Showcase. City of York Council. Nov 2012 (available online)

Annex A: EIF Scheme Allocation Summary

Figures 1 and 2.