

Super-Connected Newcastle



Applicant Information

Project Name: Super-Connected Newcastle

Lead Organisation:

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If the bid is a joint proposal, please enter the names of all participating bodies and specify the coordinating authority

Newcastle City Council (coordinating authority)
Newcastle NE1 Ltd
Newcastle University

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Section A – Short-Form Business Case

A1. Strategic Objectives, Measures of Success and Targets

Define the strategic objectives, measures of success and targets of the proposal with respect to:

- A1.1 Economic growth**
- A1.2 Take-up of broadband services**
- A1.3 Social objectives**
- A1.4 Other local objectives**

Newcastle has a proud history of innovation and ambition which we seek to build upon through our proposal for **Super-Connected Newcastle**. This gives the city a real opportunity to deliver our aspirations for:

- A Working City; prospering from economic recovery, inward investment, and our bid to be one of the first **Accelerated Development Zones (ADZ)** in England, creating the knowledge, skills and jobs of the future in Newcastle;
- Tackling inequalities to create a fairer City addressing digital, social and financial inclusion;
- Transformational Public Sector service delivery enabled by new and innovative technologies;
- Decent Neighbourhoods through investment in infrastructure in parts of the City neglected due to market failure;
- Building the infrastructure that can satisfy the demands of Newcastle now and in the future.

Broadband will be a chief component in planning the future design of the city. It will inspire a compelling vision for the utilisation of modern technology, which in turn will sustain contemporary living and produce enlightened working practices.

Ageing population, economic regeneration and the green agenda are contemporary issues that will reshape our world. Newcastle, led by the City Council, will work to discover new ways of addressing these problems through technology and innovation. Developing the interface between scientific technology and society will reap dividends locally, nationally and internationally. Our forthcoming role as an Olympic City will provide an ideal opportunity to showcase Newcastle's achievements to the world.

Newcastle has been named the most sustainable City in the UK for two consecutive years in Forum for the Future's annual Sustainable Cities Index, due to our work promoting and implementing a low carbon agenda. The index tracks progress on sustainability in Britain's 20 largest cities. We see Super-Connected Newcastle as something that will enable the necessary infrastructure to support these developments for a sustainable future.

Newcastle has been identified as an award winning Science City of Excellence. The city has won European recognition for deepening human understanding about the ageing process. A better connected, skilled and informed populace will provide the workforce and creative thinking to further this ground breaking knowledge.

Pioneering new technology coupled with involving community groups, voluntary organisations and cooperatives in service delivery will transform public service provision. Cloud computing research within

the City will help to create much needed new jobs by working with businesses keen to take advantage of superfast broadband and immediate access to world leading research capability in cloud technology.

Newcastle is already a centre for medical research and innovation. New industries and a “Cloud Computing Centre,” established by Newcastle University, are growing our reputation as an early adopter of new technologies that will improve citizens’ health and wellbeing and competitive advantage. We are already working with partners to examine the feasibility of utilising 4G to deliver current projects. We will continue to strengthen this co-operation between the public sector and suppliers. This commitment coupled with our determination and ambition, makes Newcastle an obvious candidate to drive technological innovation.

Economic recovery is crucial to Newcastle’s Plan to rebalance the economy. There is strong demand around the world for products made in the North East. In fact the region consistently exports more than it imports. The area continues to perform well in overseas markets, achieving a positive balance of trade totalling £2.7bn. Evidence shows there is a positive link between innovation, R&D and exporting. Companies which strengthen their intellectual muscle are more likely to benefit from reciprocal trade links facilitated by access to new markets.

Newcastle Airport is a vital asset that defines the City as a major European and international destination. It represents a significant platform for North East trade by virtue of its connectivity, allowing businesses to market goods and services to a global audience. In a 24/7 industrialised world, businesses and consumers expect transport hubs to field constant communication and interaction. The provision of ultrafast internet services is critical to sustaining Newcastle’s image and reputation as a competitive centre for commerce. Importantly, the airport facilitates access to global markets and finance boosted by Virgin Money’s decision to base their £700million operation within the City. The Airport is one of the City’s largest employers. Therefore, it is imperative the transport network is endowed with wireless capability to enable the private sector to generate increased growth and employment from business and leisure tourism. Super-Connected Newcastle will complement a £3.2 million terminal expansion, preserving jobs and reinforcing the Airport’s coveted status as Best UK Airport three years in a row.

Super-Connected Newcastle offers a unique opportunity to bring together objectives for broadband and digital inclusion within the **Accelerated Development Zone**. Newcastle is seeking to align these projects to maximise the benefits of investment.

Our proposals are fully integrated with two different projects supported by the **Regional Growth Fund**. The proposals embrace the drive towards new forms of more accessible service delivery as outlined in the **Open Public Services White Paper**. **Super-Connected Newcastle** will be driven by private sector leadership, including members of Newcastle NE1 Ltd; Newcastle’s Business Improvement District Company. It will help Newcastle to stand out from the glut of cities around the world striving to win new business.

Super-Connected Newcastle will be backed by the Urban Broadband Fund and ADZ loan finance. Should this expression of interest prove successful, we would welcome an early discussion with Government to agree an apposite financial model that combines investment from the Urban Broadband Fund with the resources that Newcastle City Council has earmarked for the ADZ.

Super-Connected Newcastle will deliver improved and expanded wired infrastructure across the heart of the City Centre, a large continuous area which incorporates our focused primarily on three specific areas within our ADZ. This provision will offer a portfolio of connectivity and pricing options, appropriate to a

wide range of businesses with varying levels of demand. The aim of this work is to remove any cost or technological barriers that might inhibit the growth of key sectors in the future knowledge economy of the City.

The overall net projected outputs of the ADZ (taking into consideration potential deadweight, displacement and a positive multiplier) are 13,574 additional full time jobs and an additional £681million GVA per annum once the respective sites are fully developed and occupied¹. In addition to supporting the job creation and inward investment of the ADZ projects, **Super-Connected Newcastle** has the potential to directly benefit over 7000 residents and nearly 3000 businesses by providing revolutionary access to superfast and ultrafast connectivity.

Sector	Speeds
Residential	80Mb-200Mb
Business - SME	200Mb-1Gb
Business - Tech Sector and Large Enterprises	1Gb upwards

Other significant local objectives are encompassed within our Local Broadband Plan outlined in section B6.

A2. Rationale for Public Investment

Set out the rationale for public investment:

Super-Connected Newcastle is designed to address market failure and put in place an infrastructure which can supply the highest broadband speeds needed now and in the future to keep pace with growth projections for our City.

The property and construction market in Newcastle does show some early signs of returning to a state where the private sector may invest on a speculative basis, but significant uncertainty remains and is expected to do so into the medium term. There is no sign that the private sector is seeking to invest in next generation internet access in some areas of the city, particularly on brownfield sites and in regeneration zones where any returns are only deliverable longer term.

Market intelligence suggests that there is significant interest in the commercial benefits new wireless networks in heavy footfall areas around the City Centre could bring.

We are confident strong demand will justify widening services to local neighbourhoods in need of regeneration and provide limited free access. We are also investigating the possibility of raising a revenue stream from this investment which will be used to fund training and other activities designed to bridge the digital divide.

A3. Information, Education and Demand-Stimulation

Outline the information, education and demand stimulation (consumers, business, public sector and third sector) activities to be undertaken (more detail should be given in Section D).

¹ These outputs have been estimated by PwC.

We will promote the use of the wireless in conjunction with suppliers and partners to business, residents and visitors to the City by introducing strategically placed signage within the City Centre². Additionally we will provide a “Landing Page” of essential information resources such as health and education services, transport information via our partner Nexus³, and business information supplied through NE1.

We will also encourage private landlords and businesses within the city boundary to invest in complementary wireless offerings that boost consumer spending, thus helping to drive new business formation and job creation.

The ‘Go ON Newcastle’ partnership campaign will take the lead in driving demand and use of broadband by local people, especially those who are new to the technology and/or live in deprived communities. The Go ON campaign will receive direct support from the Digital Inclusion Working Group within Newcastle City Council. Our service of 18 community libraries, community centres and Customer Service Centres spread across the City will provide an important focus for internet access and training programmes.

Full details can be found in sections B5, D1, D2 & D3.

A4. What New Infrastructure Does Your Proposal Require?

What new infrastructure does your proposal require?

Our proposal for wired and wireless infrastructure is a common, open and competitive infrastructure. The infrastructure will be provided by a supplier (or suppliers) with a proven track record of wholesaling to major Internet Service Providers.

We also expect any potential suppliers/partners to demonstrate how they will continue to develop/upgrade infrastructure so that it continues to keep pace with technological advances and growing demand without needing additional direct public investment.

Fixed

Our infrastructure will be capable of delivering an appropriate mix of Fibre and Ethernet offerings that are capable of exceeding the Government’s short term goals and the longer term European target of all citizens having access to 30Mbps connections by 2020 and at least 50% take-up of 100Mb. The infrastructure will provide a range of pricing and speed options appropriate to the business sectors we intend to attract.

Wireless

Our infrastructure will be capable of delivering reliable high speed access beyond the immediate commercial footfall areas and will include significant academic, cultural, sporting and entertainment venues within the city. We envisage the wireless offering as a commercial wholesale infrastructure that encourages competition and freedom of choice for residents, businesses and visitors within the city.

An essential part of any wireless provision is that it is fast, reliable and predictable. To this end we propose to cover the entire City Boundary with wireless so that it is universally available.

² The City Centre wireless signage will be posted in shopping and business areas, in addition to local media advertising and placements in the Councils “Citylife” magazine.

³ Nexus is the Tyne and Wear Passenger Transport Executive and administers funds on behalf of the Tyne and Wear Integrated Transport Authority

We have already received expressions of interest from the city's two universities in extending their existing wireless networks over the new infrastructure. This will provide flexible access to educational resources for a sizable student population.

Our longer term aspiration for wireless is to move beyond the City Centre and provide wireless zones in community and commercial hotspots (as set out in our Local Broadband Plan). We intend to re-invigorate existing community resources and high streets by providing access to reliable and dependable wireless. We will negotiate favourable rates for business and community organisations to access this infrastructure to boost economic and educational investment already underway in these areas.

The City Council and Newcastle University are working collaboratively to assess the merits of public investment in a Centre for Cloud Computing dedicated to discovering practical applications for Cloud technology to reduce the cost and improve the efficiency of public service administration; ultimately producing an agile experience for end service users.

A5. Areas where Ultrafast or Superfast Broadband will be delivered

Define the area(s) over which ultra-fast or super-fast broadband is to be delivered:

Existing Network Improvements & Investment In-Fill

Through our discussions with suppliers we have verified that Newcastle City Centre is well connected by both BT Openreach and Virgin Media. BT's Newcastle Central exchange has already been upgraded to enable super-fast connectivity within the City Centre. The City Centre is also covered by BT's Ethernet service offerings up to 10Gb and Virgin Media and will benefit from Virgin Media's much publicised speed doubling programme, which is due for completion before April 2012. For this reason it is likely that any investment in improving the existing networks would be more focused around the delivery of fibre direct to premises within the City. This would provide SMEs with high-speed business offerings, removing the common obstacles of installation time and engineering costs.

New Networks

Our ADZ is primarily based upon brownfield sites that require new infrastructure. These sites are highlighted in purple on the map in appendix 1. We intend to work with suppliers and site developers to pre-install adequate ducting and cabling to provide a mix of service offerings that will meet the diverse needs of organisations moving to these sites, both in terms of size and connectivity. This work will cut the lead-in times for organisations in the ADZ and improve the financial viability of higher speed services. The ADZ covers the entire City Centre. The primary focus for the new infrastructure will be on three specific sites.

Science Central is a 12.11 hectare site at the edge of Newcastle City Centre which is set to become a new urban quarter of the city. It will facilitate the commercialisation of research; science-led innovation and knowledge intensive employment generation and new company formation; The site opens up this part of the City, making it more accessible to other important City Centre residents including the universities and business district. Newcastle University has already secured support from the **Regional Growth Fund** to finance the enabling infrastructure in the first phase of development on Science Central. Detailed planning for the important Gateway Building is almost complete and work is expected to start in the coming weeks.

The **Stephenson Quarter** is the second of the priority areas in the ADZ. Sitting directly behind the Central Station, it is a 13.2 hectare site which provides a major opportunity to deliver office-led development alongside historic assets. This site is an important gateway to Newcastle City Centre and the wider region. It is well placed to enhance the experience of arrival by rail as a result of substantial improvements to connectivity and the public realm around the station area. Improvements to this area will help to better connect this important transport hub to other developments in the City Centre.

East Pilgrim Street occupies a 14 hectare site, at the heart of the City Centre. This area is likely to be developed over a slightly longer timescale than Science Central and the Stephenson Quarter and offers real potential to deliver a distinctive, large scale, mixed use development, extending the central business district. Therefore it is critical that the wider design of the wired network take into account the need for a phased expansion into East Pilgrim Street.

Wireless Connectivity

Wireless connectivity will encompass the City Centre which includes the commercial footfall areas and also significant academic, cultural, sporting and entertainment venues within the City. Business users, visitors and residents must enjoy blanket coverage for it to be considered user-friendly for most applications. We envisage wireless will be a commercial wholesale infrastructure that allows competition and freedom of choice for residents, businesses and visitors within the City.

The map in appendix 1 (highlighted in green) details the geographic area covered by **Super-Connected Newcastle**. This reflects our official City Centre boundary which includes high footfall areas within the City such as:-

- Cultural / Sporting and Entertainment Venues:-
 - St James Park Stadium
 - The Metro Radio Arena
 - The City Hall
 - The Theatre Royal
 - The Journal Tyne Theatre
 - The City Library
 - The O2 Academy
 - The Laing Art Gallery
 - The Great North Museum
 - The Centre for Life
 - The Discovery Museum
 - Newcastle Quayside

- Transport Hubs:-
 - Haymarket Bus Station
 - Newcastle Central Train Station
 - National Express Bus Station;

- The Royal Victoria Infirmary, incorporating the Great North Children's Hospital;

- Academic and Research Locations:-
 - Newcastle University
 - Northumbria University
 - Newcastle City College
 - The Centre for Life
 - Science Central Development.

A comprehensive Wi-fi offering is essential if the North East is to contribute effectively to rebalancing the UK economy. Newcastle City Council has brokered exploratory talks with the airport and Nexus to examine the feasibility of providing continuous Wi-fi coverage to and from the City Centre. Given that the airport is

located on the periphery of the City, it would be difficult to achieve this objective using contiguous geography with current technology. Nonetheless, this remains an important ambition for the City given the centrality of the airport to its strategic future growth plans. Inclusion of the airport in this programme will be subject to indicative cost projections and the viability of emerging technologies.

A6. Funding Requested

What funding from the Ultrafast Broadband Fund are you requesting?

Super-Connected Newcastle is requesting £6 million from the Urban Broadband Fund.

A7. Additional Funds to be contributed

Briefly set out what additional funds will be contributed to the project (more detail to be given in Section G):

Newcastle intends to borrow a total of up to £100m to invest in the ADZ wider infrastructure needs, should our application be approved. This includes a flexible capital investment of £4 million for broadband.

One option identified prior to the broadband procurement exercise for **Super-Connected Newcastle** is that we would wish to invest on a 'pari passu' or a gap funding basis with a private sector partner (see section on State Aids).

We have a successful track record of securing European Regional Development Funds (ERDF) monies and have examined the potential to use ERDF from the North East Competitiveness Programme within **Super-Connected Newcastle**. We have ruled out for reasons of eligibility any potential use of ERDF to support large firms and general investment in favour of the retail sector. However, we are aware that the Department of Communities and Local Government (CLG) has recently published guidance on the potential alignment of ERDF and broadband. We are naturally keen to ensure that EU funds directed to the North East are not lost because of decommitment and the rule of N+2. We would therefore be keen to explore during the development of the full project proposal, the potential to match a percentage of the UBF with ERDF. This is most likely to be feasible on Science Central; any site ERDF grant will need to be apportioned in relation to the number of potentially eligible business and other physical development on that site. Our working estimate is that we may be able to attract £0.75 million ERDF subject to partnership endorsement and full appraisal by our CLG local team.

A8. Physical Resources to be contributed

Any physical resources the city or its partners are contributing to the project. (Details in Section C)

Newcastle City Council and Newcastle University jointly own the land on which Science Central is being developed. We will readily make available sufficient land to allow immediate access for new ducting and ancillary connections.

Physical work designed to reshape the access routes and highways around the Stephenson Quarter is now in the planning stages. This means we can also readily make available access to the existing and new ducts, as well as other underground routes e.g. street lighting, traffic signals, sewers etc.

Member firms of NE1 Ltd will provide access to their buildings to allow the installation of wireless supporting infrastructure.

Newcastle City Council will allow access to high buildings e.g. housing towers, street furniture, CCTV and traffic signalling ducting to facilitate the installation of a new City Centre wireless network.

Section B – Digital-Led Economic Growth

Demonstrate an ambitious vision for growth.

Newcastle is a global city which operates at the leading edge of research, technology and innovation. The City exports products and skills around the world, rooted in science, engineering, energy and technology.

Newcastle is home to a cluster of digital and software businesses. It is a prominent location for advanced manufacturing, technology and application development and application with a successful service economy.

We are working to be the centre of the UK green economy, and have recently been crowned the “Most Sustainable City in the UK” for two successive years. ‘Visionary Newcastle’ was specifically praised by the judges for “placing itself at the centre of an increasingly vibrant clean tech cluster in the North East...aiming to become a world class centre of science and innovation, benefiting economically and socially from the green economy.”

We celebrate a culture of innovation, reputed for being at the forefront of industrial developments as consummate architects of reinvention. Achieving super-connectivity would help us to build on these traditions and attract new investment to deliver our ambitious growth plans.

We have submitted strong and authoritative growth plans to Government. They are underpinned by a robust case to be the first ADZ designated in England. Our proposal was based on detailed research and through market evaluation conducted by PwC.

Overall, net projected outputs for the ADZ (taking into consideration potential deadweight, displacement and a positive multiplier) are 13,574 additional full time jobs and an additional £681million GVA per annum, once the respective sites are fully developed and occupied. Realising these outputs will transform Newcastle’s economy.

In addition to these quantitative impacts, we anticipate a range of other benefits, not least:-

- Substantial employment opportunities in sectors offering significant future growth potential;
- A positive short term impact on the region’s construction industry, which is currently experiencing difficulties due to prevalent economic conditions;
- Substantial development in sustainable City Centre locations;
- Access to a large labour force
- Well established public transport networks;
- Environmental benefits derived from high quality buildings, an attractive public realm and improved transport infrastructure;
- Visible signs of regeneration delivery, instilling market confidence in Newcastle’s economic prospects.

- Increased likelihood of wider spin-off developments financed by indigenous and inward investment;
- Economic agglomeration effects leveraging additional private investment to stimulate a private sector led economic recovery.

Whilst, not all these benefits can be linked directly to the cost and deployment of **Super-Connected Newcastle**, it is difficult to assert that this potential could be released without the Urban Broadband Fund.

B5. Skills and Knowledge

What commitments to raise skills levels in the local population, providing greater accessibility to educational programmes to equip more people with better knowledge-based skills, will accompany this investment in faster broadband?

Use of the internet to trade as a business or advertise, find and apply for jobs is commonplace. IT is prevalent in modern workplaces. Most employers expect to see an electronic CV and prize applicants who are IT literate. Therefore Newcastle is particularly concerned to ensure digitally excluded unemployed residents have access to education programmes that illustrate the benefits of faster broadband.

Newcastle has given a firm commitment to grow the knowledge economy and invest in skills development to generate higher levels of sustainable employment and stimulate entrepreneurship. Regeneration plans identify actions to improve skill levels and reduce worklessness in the most deprived neighbourhoods of the city.

The City Council is a major partner in Newcastle Futures; a group of employment and training organisations working together to help Newcastle residents find employment. Newcastle Futures Partnership helps individuals to build confidence, brush up their skills, gain qualifications, explore new career options, enter employment and stay in work. The programme provides intensive support to those furthest from the labour market, engaging individuals into training activities as a route into work. Newcastle City Council also funds employment and skills projects through the Newcastle Fund; a dedicated resource for the City's community and voluntary sector.

Broadly, investment in faster broadband will enhance the lives of Newcastle residents in five key ways:

- Help individuals excluded from the labour market who have never used the internet take the first step towards going online;
- Support digitally excluded residents to build confidence online;
- Assist individuals to become proficient internet 'surfers';
- Enable confident internet users to make the most of their time online by promoting mobile working, ecommerce, electronic transactions and social networking.
- Sate trendsetter demand for new technologies and communication channels through the provision of faster wireless and wired exchanges.

Newcastle Science City also runs a Community Engagement Programme, which aims to raise awareness of science and new technologies to ensure all local communities can benefit from the job opportunities created by this venture. The initiative raises awareness of employment opportunities in science and technology sectors, helps the unemployed access these jobs and builds relationships with STEM (Science, Technology and Mathematics Subjects) employers to create routes into employment for workless people.

Another strand of the project engages schools to increase take up of STEM subjects, arouse interest in scientific careers and help improve levels of aspiration and attainment.

To tackle high levels of youth unemployment, the Council wishes to engage suppliers in scoping apprenticeship training opportunities for local residents. Moreover, the Council would like to exploit IT curriculum reform to sponsor app design competitions intended to find budding entrepreneurs.

We are working local partners and the national Go ON office to launch a campaign that publicises the benefits of being online throughout 2012 and beyond.

Our Local Broadband Plan contains a wide range of existing and proposed activities designed to promote digital inclusion. These include:

- Hosting shared sessions with banks to promote the benefits of digital technology in relation to financial awareness;
- Running workshops in libraries, e.g. supporting carers to go on line, and intergenerational sessions with younger people supporting older people to go online;
- Working with Your Homes Newcastle (our arm's length housing organisation) linking with social housing blocks through the 'Empower the Tower' campaign;
- Working through Sure Start Centres with low-income families to provide them with access to the internet;
- Funding a crèche to allow ESOL learners to access training including IT / online training;
- Linking with the specialist training providers to hold training events for our BME communities;
- Our Quality of Life Partnership and the Elders Council of Newcastle are currently taking part in Action Learning Sets with the Young Foundation developing initiatives to support older people to go online, as part of the national Local Government Improvement and Development Ageing Well programme;
- Your Homes Newcastle (YHN) are through to the final stage of the Technology Strategy Board's Delivering Assisted Living Lifestyles at Scale (DALLAS) funding programme;
- Incorporating the next round of UK Online funding to aid development of Community Hubs, which will support community development projects using digital technologies;
- Development of a Newcastle City Council smart phone application, allowing residents to access information and conduct business through the Council's 31 different transactional services;
- We will continue to provide free internet access for all at all our 18 libraries.
- Exploring a new programme to encourage people to donate 'old' smart phones so they can be refurbished and provided to other residents within the City as an affordable access channel; and
- We will evaluate using any wireless infrastructure to provide a clear communication channel as part of the City's Evacuation Plan. Our vision is to provide clear accessible information to users' devices and partner with digital signage vendors in an emergency. To our knowledge this innovative approach to public safety is a real first and could provide a model for other cities.

Newcastle City Council will actively promote these initiatives through 'Citylife' (our regular magazine delivered to all residents across the City), on our website and, increasingly via social media channels.

B6. Cohesion with Existing Local Broadband Plans

Describe, where appropriate, how the project will dovetail with existing Local Broadband Plans

The **Super-Connected Newcastle** bid allows the City to bring forward elements of our emerging Local Broadband Plan. The plan aims to level the playing field for super-fast broadband in the City and ultimately achieve 90-100% coverage of super-fast broadband in Newcastle. Achieving this goal is reliant on the Council's steadfast commitment to digital inclusion; removing barriers residents and businesses face to getting online; ensuring that residents have support and training to access the internet where needed, and working to trigger residents' interests in going online. This work is essential to reap the full benefits of the investment proposed in Super-Connected Newcastle.

Super-Connected Newcastle also complements the aspirations of neighbouring authorities' Local Broadband Plans. They share our vision of providing competitive, super-fast connectivity to support economic regeneration; encourage new businesses and markets; and develop new workforce skills to address their local priorities.

Northumberland County Council has already launched its proposals to use BDUK funding under the brand of **inorthumberland**. This takes a County wide approach to addressing the challenges germane to installing technology in remote areas.

Gateshead and Durham, have substantial rural areas and correspondingly large allocations from BDUK. They are working closely on jointly using BDUK monies to surmount geographic challenges that are a barrier to accessing super-fast connectivity.

Sunderland has carved a strong reputation in recent years. It boasts high speed broadband across many parts of City Centre and its wider district. Gaps in connectivity will be filled with its share of funding from BDUK.

The North East Local Enterprise Partnership (LEP) supports our proposals for the use of the Urban Broadband Fund.

Section C – Commitment of Resources

C1. Physical and Administrative Resources

Detail those physical and administrative resources that will be committed to the achievement of objectives in this proposal:

Strategic oversight of the ADZ programme will be provided by the Gateshead Newcastle Partnership (GNP) comprising elected representatives from each Council, supported by chief officers. The joint ADZ will comprise two distinct financial (TIF) arrangements that will be delivered in accordance with an agreed business plan and governance framework. This will ensure the programme is developed and managed effectively. Each local authority will retain its own financial mechanisms, risk management and decision making arrangements for their designated areas within the ADZ. Each council's programme management function will be responsible for the operational delivery of the programme, ensuring sustained progress with adherence to identified and agreed progress measures and targets. **Super-Connected Newcastle** will be managed within this established framework.

C2. Evidence of Project Management and Programme Governance

Provide evidence that the City Authority has access to the project management capability and strengths in programme governance to deliver the programme of work.

The design and delivery of **Super-Connected Newcastle** will be managed by the Programmes and Major Projects team within Newcastle City Council, working with relevant inter-departmental teams in an overall co-ordinated approach to project planning and delivery.

The Council's Programmes & Major Projects Team leads on all significant procurement exercises and commercial negotiations across a wide range of projects, including via PFI/PPP. It has a nationally recognised track record of effective project delivery. The team also leads on our PFI/PPP post-contract management arrangements.

Projects that the team has managed and delivered successfully over recent years include: school construction/refurbishment under the Government's Building Schools for the Future (BSF) programme (23 new/refurbished schools having a total value in excess of £250m - all schools delivered on time and on budget). Newcastle is the only authority in England to deliver successfully its entire BSF programme; a new £40m City Centre Library delivered via PFI with our private sector partner Kajima; a multi-award winning £200m New Tyne Crossing PPP project (tunnels recently completed and handed over ahead of schedule).

The team is currently working on: a public/private joint venture created to build 1800 new houses in the district of Scotswood (contracts signed, planning permission granted, building starts summer 2012), the project management of the City's 2012 Olympic celebrations, and redelivery of homeless facilities for adults in the City Centre. The team is also preparing to procure a Green Deal Delivery Partner, a complex multi partner project on which we are providing leadership for the North East Region.

The team has a number of senior and very experienced project managers, who are fully supported by other internal services e.g. legal, finance and property services, and, where necessary, via well-managed external consultancy support framework agreements.

The team also includes a number of very experienced programme managers, who manage the Council's bespoke overall Project Management System and lead on corporate governance, to ensure effective programme and project monitoring and delivery. All projects report to senior level thematic programme boards aligned to the delivery of our City priorities. The system ensures effective forward planning, monitoring, delivery and stakeholder engagement throughout the lifecycle of a project, from early planning to post-contract monitoring.

C3. Value for Money

How will value for money be assured?

We will adopt a wide approach to assure Value for Money. Provision of public investment in **Super-Connected Newcastle** will follow OJEU procurement procedures, strictly focussed on criteria that will test bidders and ensure the selected bid provides the most appropriate solution and the best value for money for the City. Bid evaluation will be rigorous and supported by internal and external financial consultancy support to examine the financial and wider VFM of all proposals.

We want to establish early in that process the clear and measurable outcomes that we want to achieve. We will not over-specify the technologies, detailed designs and possible forms of partnership ventures that might be proposed, but will set out the parameters within which we intend to operate. We want to allow the market to provide innovation and new ideas, within a well-designed and managed procurement process that will drive the development of bids and solutions forward in a timely and efficient manner.

Our first concern is to seek a solution designed as closely as possible to adopt market conditions. Introductory offers may be needed to stimulate demand, but we will seek in our procurement process a financial model that limits unjustified subsidies. Provider firms who may be chosen to lease infrastructure will be expected to contribute at a market rate. Internet Service Providers will pay that same rate to retail those services. Similarly, firms paying for the broadband services will need to pay market rate if the investment is to be sustainable in the longer term.

The procurement process will clearly need to examine best available price but it will also place strong emphasis on the quality and degree of technological innovation, reliability and on the ability to be upgraded readily without new investment in infrastructure as speeds increase over time. We will also examine clearly the wider socio-economic impacts (within the constraints of the Procurement Regulations) and, if enacted in time, the new provisions of the Public Services (Social Value) Bill.

C4. Measuring Quantifiable Benefits

Measuring Quantifiable Benefits

Super-Connected Newcastle is an investment for the long term to future-proof the infrastructure for as long as possible. This form of investment lends itself to innovative ways of measuring the real benefit over a longer period with a technique increasingly promoted by the EU Commission and referred to as ‘ex ante counterfactual impact assessment.’

Inevitably there will be inter and intra-zonal differences in the performance of the ADZ’s. However, the relatively large number and diverse business base in each respective area lends itself to a comparative evaluation framework that assesses the net benefit of ADZ investment with firms operating outside this geography i.e. the control group.

Through time, development spread will blur the distinction between firms inside and outside the ADZ. However the impetus provided by the UBF signifies an ideal opportunity to put in place an evaluation framework that distinguishes between those firms supported directly by super-fast broadband and those benefiting from other forms of broadband.

Guidance from the EU Commission suggests that this form of evaluation is most productive when the framework is designed simultaneously i.e. at the ‘ex ante’ stage. It can also be used to inform the detailed design of the investment.

The evaluation programme will also include a qualitative approach to understand the various ways (including those that are unexpected) in which better broadband has affected different types of business within the ADZ. This will include a small number of more detailed case studies to highlight which businesses have grown, adapted and benefitted from the new infrastructure.

The Centre for Urban & Regional Development Studies (CURDS) at Newcastle University has specialist expertise in evaluating the territorial benefits of public investments in broadband at the sub-national level. We will commission CURDS to undertake the evaluation, which will inform partners on an on-going basis about the net impact of the investment on businesses and jobs growth in other neighbouring areas. This will elucidate the consequences of failure to invest.

Section D – Stimulation Take-Up and Demand

D1. Education, Information and Demand Building Plans

Detail your proposals for education, information and demand building activities generating greater demand by businesses (including SMEs) and residences for ultra-fast broadband services, aiming for 50% take-up across all sectors.

Super-Connected Newcastle has a range of proposals for education, information and demand building activities to generate increased take-up of ultra-fast broadband services. Alongside the capital investment, Newcastle City Council is working with partners to bring together a coherent programme of initiatives focused on removing barriers to access, which will cater for the distinct needs of businesses and residents.

Stimulating business demand requires a clear-cut, commercial approach. Newcastle City Council has enlisted the support of partner organisations ideally placed to facilitate this engagement and educate the market about the extensive availability and viability of super-fast broadband.

NewcastleGateshead Initiative is a business led partnership established more than a decade ago to drive development of our urban core. Its business-winning arm will promote the co-ordinated benefits of **Super-Connected Newcastle** to potential inward and indigenous investors, key business decision makers and employers.

SME activity will be threefold:-

- Newcastle is exploring the feasibility of a further application to the region's ERDF programme for SME funding. This would be used to offer a connection fee waiver usually payable to access super-fast broadband. In effect, this would stimulate demand by reducing the initial take up cost. Once in place, SMEs would be expected to fund maintaining access to super-fast broadband in the same way as they would pay for any other utility works;
- Financial Inclusion Newcastle (FIN), an organisation focused on supporting residents in deprived areas to start and develop successful businesses for the first time, has evidenced that ultra-fast broadband access would allow them to reach a wider audience and nurture new business start-ups. Enhanced broadband access would improve the process of creating and testing business ideas, widen client contact networks and give entrepreneurs access to the right tools to manage and develop their businesses. Financial Inclusion Newcastle has already worked with over 1250 residents, resulting in over 200 new businesses being created and 250 associated new jobs within some of the Newcastle's most deprived areas. We are confident that the organisation will remain a key contributor to demand stimulation; and
- The council is also developing a Business and Intellectual Property Centre in partnership with the British Library and local universities, based our new City Library. A number of new SMEs are

choosing to hot desk in the City Library and use its wireless network to avoid incurring connectivity costs. This demonstrates the need to provide more accessible networks to support SMEs early on.

The procurement process will expect bidders to submit demand stimulation plans in areas where fixed broadband speeds or availability will increase. This will cover 48,882 residential premises, as well as 1,735 existing non-residential premises. The Council will also promote upgrades through its regular communication channels, including its citywide residents' magazine, website and social media channels.

In addition, Newcastle NE1 Ltd will play a key role in driving business demand for and use of, ultra-fast broadband. It is the largest Business Improvement District company in England, with extensive member networks in retail, business and financial services. Newcastle NE1 Ltd will act as a principal conduit for upgrading and expanding the City Centre's wireless network. The organisation has already entered into dialogue with a number of commercial landlords in the City Centre to facilitate access to high buildings that will host wireless infrastructure.

Installation of an enhanced wireless offering is a key lever to improve business prospects by enabling companies to reach a wider consumer base for their products and services via mobile internet users.

Finally, we would appoint a chosen supplier to design a **Super-Connected Newcastle** landing page in conjunction with local partners. Accessible to anyone using City Centre wireless, the landing page would provide public, business, visitor and local transport information. Key contact details for local public services will be published, together with a business/services directory advertising local companies and special offers to boost local consumer spending.

It is the Council's responsibility to work with businesses and other partners to ensure the City grows its knowledge economy and provides what the market demands.

We are stimulating the demand for science, innovation and knowledge economy businesses in the City and therefore ultra-fast broadband services. This is being pursued through a range of measures including:- the development of key sites for clusters to emerge and grow; incubation opportunities at Science Central to develop and attracting new businesses; co-location and collaboration with university research centres to deliver commercialisation and create new business; attracting new businesses by promoting of the City's offering through organisations such as NG1; universities and colleges developing skilled people leading to spin out businesses; and business network events. We have already had to turn away companies seeking faster broadband speeds, so delivering this project can only stimulate increased demand.

In order to stimulate residential demand across the City we are already actively developing our "Go ON Newcastle 2012" campaign as a way of engaging with residents to promote the benefits of being online:-

- We have made connections with 17 partner organisations in order to reach communities throughout the Newcastle area and are hoping to increase this to 50 by March 2012;
- We are working with 21 Digital Champions to promote the benefits of being online with the aim of increasing numbers to 50 by the end of March 2012;
- We held 18 events during May – August 2011 to encourage digital inclusion and promote the benefits of being online and intend to increase this to 45 by March 2012;
- We are working closely with the Elders Council, Quality of Life, Search Project and Mecca Bingo to reach older (65 years and over) digitally excluded people living in the City;

- We are working with organisations in the west end of Newcastle to reach digitally excluded residents from deprived neighbourhoods; and
- We are working with a national partner, JD Wetherspoon, to hold regular sessions which encourage customers to get online.

D2. Transformation of Public Sector Services

How will the proposed investment be utilised to transform the delivery of public sector services by making as many services as possible available online?

Newcastle has ambitious plans to transform the delivery of public services through the innovative use of internet technologies. The public sector is acutely aware of the need to rationalise duplicate spend. Design ingenuity in service delivery is paramount. A Public Sector Network (PSN) will engender closer co-operation and release efficiency savings by allowing agencies to share data online. The City strives to be a regional leader in this arena. Newcastle has initiated exploratory talks with the Cloud Computing Centre of Excellence. Created by Newcastle University and commercial partners, the institute will utilise emerging technologies to promote new models of public service delivery and bring about a sustainable economic recovery. The move towards cloud computing is advantageous because it permits organisations of all types and sizes to benefit from groundbreaking IT services, free from the overhead costs that usually consume operational budgets. Due to a long history of research excellence in distributed computing, Newcastle University boasts world leading capability in the emerging field of cloud technology. Global software firms have already established joint projects with university teams to explore new tools for information management and service delivery.

The Cloud Computing Centre of Excellence will build on this foundation and help cement Newcastle's place at the forefront of this technological revolution. It will be located at Science Central, bringing together teaching, research and industry to encourage innovation and entrepreneurship. There will be office suites for software companies and incubator facilities for software spin-outs, as well as space for researchers and students. Research will serve industry's needs, undertaken by experts in a state of the art CPD suite. Ultra-fast broadband will provide fast connectivity to the cloud, making this an ideal location for companies seeking to exploit the commercial advantages offered by Cloud Computing.

The Cloud Computing Centre will drive the use of broadband to deliver inclusive forms of transport. The research will focus on private and public transport for the elderly. It will explore how to implement a suite of technologies to assist older people to drive safely for longer, maintain their mobility, independence and social networks. Public transport systems must be physically accessible and easy to use. The centre will advance the development of a personalised, seamless, multi-modal travel information system to help vulnerable people make safe, affordable journeys using public transport. Extensions to this work using the Urban Broadband Fund will allow the positioning of more sensors around the travel networks to collect data and enhance public information provision. These will be mounted on transport vehicles, street furniture, wireless networks and mobile devices.

An ageing population, combined with higher numbers of people in Newcastle suffering from long-term health conditions renders existing models of care unsustainable. These changes necessitate public agencies finding affordable means of providing services which improve quality of life and provide better health and social care for people as they age. Internet based technologies can prevent illness as well as supporting people to live independently and safely in their own homes, minimising the need for supervised medical

intervention. YHN, the Council's social housing provider, has been shortlisted to bid for a prestigious tele-healthcare pilot. If successful, the city will attract national funding, research and development to advance the use of assisted technologies in the home. The project aims to unlock new markets in wellness, social and service innovation, enabled by technology to show that services can be made available at sufficient scale and cost to aid independent living. The competition will help to grow the assisted living sector and position UK companies to take advantage of rising global demand for assisted living goods and services. Moreover, the implementation of personalised care budgets is reliant on people being conversant online.

Austerity places increased pressure on councils to deliver balanced budgets and recover costs, particularly in relation to essential services that are expensive to provide. Enabling us to further automate business and reduce administrative costs by encouraging people to pay for services by Direct Debit or online would help us to exert greater control over resources.

Faster, universally available broadband will facilitate the implementation of welfare reforms in the City. DWP proposals on the payment of Universal Credit will create a national online service with minimal face to face support and reduce Council Tax benefit subsidy by 10%. This investment will complement plans to ensure residents have the technology to access DWP services. It also means that we can use online services to reduce the administration costs of our own local fund, which allows us to put more money into the pockets of residents. In addition, we also have plans to equip residents with the skills they need to access and navigate the internet. The Council faces a significant challenge, firstly in encouraging disadvantaged or excluded individuals to open a bank account, and secondly to budget income online and develop fluent literacy skills when dealing with financial institutions. Breaking down these barriers is fundamental to help our residents adapt to living in an automated age.

Sustained focus on the improvement and efficiency programme is crucial if the Council is to govern effectively with dwindling resources. Delivery of this agenda is dependent on resilient infrastructure and widening public access to internet services. The Council recently established a Channel Shift project to encourage more people to conduct transactions online. Significant savings can be made if the internet replaces face to face or phone contact as the preferred method of communicating with the Council. As a result we have increased take-up of all the 31 web-based transactional services we now offer. The Council is looking to increase this number, linked to smart phone application development. Consequently, the council will be able to offer residents increased flexibility thereby alleviating cost pressures on more traditional communication methods. Increasingly, citizens will expect local government to embrace new forms of social media to facilitate participation in the democratic process and stimulate public debate, using Twitter and Facebook type applications.

Whilst traditional forms of local authority service delivery are changing, they do not yet fully reflect the technological revolution that has taken place in modern society. Newcastle desires this investment to fulfil our citizens' aspirations for responsive services delivered in times and places convenient to them. Using super-fast broadband to widen and deepen public engagement via Let's Talk Newcastle – our innovative blueprint for consultation with our local communities.

D3. Delivery of Social Benefits

Proposals for delivering social benefits, possibly including: online involvement in democratic processes; flexible working; more flexible local labour markets; changing patterns of work; more online commerce.

Newcastle is committed to ensuring proposals for a super-connected City bring about transformative social change. To facilitate online involvement in the democratic process, Newcastle is pursuing a range of options including allowing electors to register online and enabling voters to check details of their local polling stations using maps and directions. Online requests for nomination packs will make it easier for members of the public to stand for office or volunteer for campaign support roles. In addition, local councillors will be able to consult the register of electors and absent voter lists electronically to increase public turnout at elections.

Newcastle will also look to strengthen participation in the democratic process by streaming full council meetings online. This will ensure that meetings are more accessible to the public, showing the Council is serious about upholding accountability as well as strengthen our use of social media.

The Council has embarked on a bold efficiency drive to consolidate building assets and expand workforce use of mobile devices. An Agile and Mobile Working Group has identified scope to pioneer alternative ways of working in Newcastle. However, successful implementation is dependent on the Council deploying wired and wireless broadband at an appropriate operational scale across the City.

Capacity to process larger volumes of data combined with flexible working should also generate improved job opportunities by extending the reach of local labour markets so that work is accessible in areas of high unemployment. Changing patterns of work and greater online accessing of commodities could also result in fewer road journeys, thus reducing congestion and greenhouse gas emissions.

Promoting more online commerce is a key element of Newcastle's future broadband plans. Our Go ON campaign aims to ensure communities and the local economy benefit from any government investment in broadband infrastructure. ONS figures estimate that 48,700 adults in Newcastle have never used the internet and 6,400 of our children lack home internet access.

Digitally excluded households are missing out on average savings of £560 per year from shopping and paying bills online. The Council believes it is a travesty that economically disadvantaged families are missing out on these savings and is committed to narrowing the digital divide. Around 40% of those digitally excluded are aged 50+. A further 40% of those excluded are unemployed or socially excluded. Informal feedback from our digital inclusion officers tell us that problems such as disabilities, learning difficulties and low levels of literacy and numeracy are a real barrier, as well as the cost of the equipment. But there is also the sense that many residents do not see the benefit of digital activity for themselves or their families, or lack the confidence to take the first digital step. Therefore, our priority is reducing the barriers for this proportion of society; getting those people online with a view to improving life chances and equality across the City. This work has been underway for some years, exemplified by a well-established network of digital champions. We will look to use the Local Broadband Plan, our network of digital champions and our Go ON Newcastle campaign to strengthen this approach and accelerate progress.

Section E – Streamlining Planning Processes to Support Infrastructure Rollout

E1. Installation of Infrastructure

Demonstrate how the Local Authorities involved will expedite the installation of new infrastructure by ensuring that wayleaves, streetworks and other permissions required for access to public land and properties are made available in a timely fashion.

Science Central is a brown field site and ready for development. Masterplans and outline planning permissions have been agreed. This affords immediate access to install necessary underground infrastructure.

Newcastle NE1 Ltd has recently secured £4.9 million from the **Regional Growth Fund** to invest in removing physical barriers that currently inhibit easy access to some parts of the Stephenson Quarter. A further £3.9 million will be invested by Newcastle City Council. Detailed design works are well advanced and initial physical works are already being planned. This is an ideal time to integrate the installation of an Ethernet infrastructure.

Development of East Pilgrim Street will take place over a longer period of time. At this stage we will procure design the Ethernet network such to permit easy access as and when construction work commences.

E2. Engagement with Large Private Land Owners

Indicate how engagement with large private owners of properties and land will be used to facilitate access for the deployment of infrastructure.

Newcastle City Council is the joint owner of Science Central in partnership with Newcastle University. Detailed development work has already taken place and is planned for future phases.

There have been extensive discussions over several years with the main private land owners of both Stephenson Quarter and Pilgrim Street. This has already led to the successful development of strategic masterplans for both areas, which will fully support the delivery of this project.

Newcastle NE1 Ltd has been consulting with its members to allow the installation of the wireless transmitter points on buildings. The proposals garnered strong support amongst the business community with the City Centre of Newcastle.

E3. Other Steps Taken to Facilitate Network Deployment

Detail any other steps the Local Authorities will take to facilitate network deployment and up-grading.

The City Council is currently consulting the public in partnership with Gateshead Council on a new Core Strategy that will provide the planning framework for all new developments in the urban core across both sides of the river Tyne. The Urban Core Area Action Plan makes direct and detailed reference to the strategic importance of all the areas needed for the ADZ. Specific reference is made for large scale high-quality, high-density office development to be focused within the Urban Core.

Section F – Compliance with State Aid Rules

F1. Proposed Infrastructure Investments and Business Models

Show how the proposed infrastructure investments and business models to be used will comply with State Aid rules.

We are very aware that public support in the field of broadband is both heavily regulated and subject to specific guidelines of DG Competition⁴. There is understandable uncertainty about whether these guidelines relate to ever faster speeds of broadband, especially where they are provided not to residents and SMEs but instead to larger firms that have more extensive and sophisticated demands for broadband.

We are aware of the delays that are almost inevitable should it prove necessary to notify a proposed specific scheme to DG Competition or to wait instead for a wider more general framework to be submitted at the national level. We are also aware that the Regional Aid Guidelines are likely to expire at the end of December 2013 and this will limit any use of gap funding within Newcastle, an area currently categorised only as Article 107(3)(c). Both issues generate risk to timely defrayment. Our preferred outcome from the procurement exercise is a solution that can manage out at the early stages of design any risks associated with state aids.

We are aware from initial discussions with larger providers of internet services that some would be unwilling to operate an Ethernet network on an Open Access Agreement, or to lease such services from another provider. Such an outcome from the procurement process would limit the number of firms interested in submitting a competitive tender.

However, at this stage we do not want to prescribe explicitly to the market in the procurement documentation the structure of any proposal that a tendering firm may wish to propose. We are keen to hear of any innovative solution that can be designed within the limitations of state aid. We will ask firms submitting a tender to demonstrate in detail that their proposed solution is State Aid compliant.

Our strong preference is that the ideal solution should be led (and the majority of the risks borne) by the private sector as far as commercially possible. We will therefore consider in descending priority order a number of options identified below.

The market may first wish to propose a gap funding scheme. This would mean using the UBF to make a commercial proposition that the market can genuinely show is too risky for a speculative investment in infrastructure designed for the long term. In this model the UBF could be used in this model as either a grant or loan. The latter would be more representative of the financial structure of an ADZ. Any returns as the asset matures could then be re-invested as part of the wider ADZ package. Such a proposal is likely to need prior approval. Should similar models be adopted elsewhere, we would seek an early discussion with DCMS about the benefits and possible timeframe of an umbrella notification.

A second option is for firms submitting a tender to make proposals based upon the Market Economy Investor principle. This model could see Newcastle City Council form a joint venture company with a private sector partner on a 'pari passu,' basis with all 'up' and 'down' side risks shared in relation to the

⁴ (2009/C 235/04)

investments made by each partner. The model thereby eliminates any 'selective' transfers of public investment in 'certain undertakings.' Where services are provided from one undertaking to another they are done so on the basis of a rate established by the market. This principle would be adopted at both wholesale and retail levels. It is assumed that the owner or lease holder of the infrastructure will make it available to all other potential retailers of internet services via an Open Access Agreement as defined by OFCOM. Further, if a joint venture company is formed it will not act an Internet Service Provider (ISP).

This model has been used elsewhere. It offers a solution embodying principles used by the private sector, within a framework that requires a longer term approach to the development of public utilities. We are confident it is free of State Aid restrictions.

A third option could involve the City Council also retaining final ownership of the infrastructure but then leasing that asset at market rates (following a competition) to a provider of wholesale internet services. The costs and risks of maintenance would be transferred to the private provider. This provider would need to allow other providers to use that facility within an Open Access Agreement. We think there is only a limited risk that the City Council could be considered as an undertaking within the definitions of the relevant articles, especially if any negotiated contract shows that the longer term intention is to transfer ownership of the asset to the private sector at the earliest competitive market opportunity.

A fourth option, should there be limited market interest, would see the City Council own and manage the infrastructure, making it available to other providers within an Open Access Agreement. Our discussions with current providers suggest that the likelihood of this is limited. There is also a risk that the City Council could be defined as a relevant undertaking. It would certainly be our least favoured option.

F2. Supporting Information

Summarise any information you have received from the Commission that supports the view in F1.

We have not yet approached DG Competition on this project (although we have had State Aid dialogue with them on other projects); we would prefer instead to coordinate any such approach with the Department for Culture, Media & Sport (DCMS). We will continue to review the position and take advice from our internal and external legal consultants.

Section G - Funding

<i>Total capital funding required (GBP)</i>	<i>2012-2013</i>		<i>2013-2014</i>	<i>2014-2015</i>	<i>Notes</i>
	£	million	million	million	
Private sector investment			1.0	1.0	
UBF funding		0.1	3.0	2.9	
Other funding (Local Authority &c.)		0.1	2.0	1.9	
Other funding (European/ERDF)			0.5	0.25	See note in A6
Totals		0.2	6.5	6.05	
Approximate number of premises, residential / non-residential, covered by the funding			7601 residential		2521 Non residential

Should this expression of interest prove successful we would welcome an early discussion with central departments of Government to discuss and agree the best financial model that can combine investment from the Urban Broadband Fund with the resources that we propose to make available from our Accelerated Development Zone.

G2. Funding Structure

G2.1 Describe any modelling that has been used to arrive as the funding estimate.

The detailed financial model proposed to Government for our ADZ was provided by PwC following extensive modelling and comprehensive analysis of the market. This work included consideration of:

- infrastructure investment requirements to address barriers to development;
- financing cashflows associated with the drawdown, repayment and interest accruing on debt secured to fund enabling infrastructure works;
- incremental business rate revenues associated with development enabled by the scheme (which may in turn be used to repay debt); and
- project risks and market sensitivities including assessing the risk in the unlikely event that there are shortfalls in business rate revenues.

G2.2 How will the capital funding be spent and who will own the infrastructure?

We aware from the perspective of State Aids that it may be preferable for the ownership of the broadband infrastructure to remain with Newcastle City Council, and for it then to be leased at market rates to a wholesaler or retailer of internet services. However, at this stage we do not want to prescribe explicitly to the market in the procurement documentation the structure of ownership that a tendering firm may wish

to propose. Nor do we wish to agree a form of ownership that may be difficult to change once contracts are signed. Our strong preference is for a flexible arrangement over the longer term as the market develops.

G3. Commercial Model

Describe the commercial model that you propose to use. Give the reasons for your choice and, if it is a JV/PPP or alternative model, the nature and key principles of the risk bearing arrangements.

See detailed answer in section F1.

Newcastle City Council has extensive experience in the procurement, formation and operation of many different models for co-operation and service delivery, including JVs and PPPs. We will keep the model options under review throughout this project, to ensure that the model we eventually agree with our delivery partner is efficient and deliverable, incentivises good performance and does not seek to transfer risks that should more properly sit with the public sector and that would incur an excessive premium to transfer.

The model will therefore be key to framing the risk allocation arrangements. As we have done previously on other significant projects, we will be clear from the outset of the procurement which risks we expect the public and private sectors respectively to bear or share, and this will be tested and refined through the procurement and will drive the development of the commercial arrangements. Key risks/issues to be considered will include time and cost overruns in delivery, any delay and compensation events, change in law over the period of the contracts, technology upgrade/refresh, performance guarantees and the terms of any performance. KPIs, including coverage, volume/take-up by households, SMEs and larger firms, marketing and customer feedback that are developed.

Section H - Delivery

H1. Development, Procurement and Delivery Timescales

Timely development, procurement and delivery timescales to ensure delivery is completed no later than March 2015

Science Central is brownfield land providing ready access for the installation of any necessary underground infrastructure. Detailed designs are now being prepared for the physical infrastructure works in the Stephenson Quarter. We are confident therefore that works will be complete and financial claims made by the end of the programme period. Our experience and consultation with private partners in the industry and with colleagues in Gateshead (with direct experience) tell us that the careful design of works of this type is critical to its later success. We therefore envisage that the main elements of the capital expenditure will not occur until the latter two financial years.

It is unlikely that major development of the East Pilgrim Street area will commence during the period to March 2015, but the route of the private Ethernet service will be designed to allow ready expansion into that area. Any works required after March 2015 will be financed by loan capital made available by our ADZ.

Newcastle NE1 Limited, the Business Improvement District Company for Newcastle City Centre, is committed to delivering a first phase City Centre, public wireless network and is currently in advanced

negotiations with a service provider with the aim of delivering this system before Newcastle fulfils its role as a host city for the Olympics.

H2. Proposed Timetable for Procurement and Cost Effectiveness

Give the proposed timetable for procurement and demonstrate how cost effectiveness will be achieved.

We want to make an early start if our expression of interest is successful and we are well-positioned to do so.

We will begin developing the project in detail before our submission to DCMS at the end of June 2012. We propose to spend up to £200,000 on detailed design work within the financial year 2012/13.

We will issue a Prior Information Notice (PIN) in the Official Journal of the European Union (OJEU) as soon as we hear that our expression of interest is successful. This will potentially reduce the length of the formal procurement process. We have extensive experience in all relevant OJEU procedures and will use the specific procurement procedure that best meets the needs of this project - potentially the Restricted Procedure or the Competitive Dialogue procedure, although we will look at the possibilities of using other procedures such as a Works/Services Concession, or the Negotiated Procedure if these offer time advantages and can be justified.

We will carry out further appropriate market engagement with potential providers ahead of the formal procurement process commencing, taking account of course of the need for transparency and fairness at all times. We will use the information from that early market engagement to shape and structure our process to give confidence to the market and to enable us to proceed as quickly as possible.

The exact procurement timetable will depend on the start date and the procedure selected, but we will ensure we are fully prepared and will have drafted all necessary documentation prior to the start of each stage, to make sure that we proceed as quickly and effectively as possible and cut down the potential for delays later on.

In terms of cost effectiveness, we will specify in the OJEU and other documentation that we will seek the most economically advantageous tender, taking into account criteria that will include: price/whole life costs/value for money, quality and reliability of technology provision, quality of proposals for installation, quality of maintenance and upgrade provision, degree of innovation, acceptability of proposed programme, acceptability of proposed commercial terms (including risk allocation) and overall deliverability (looking at factors such as state aid).

We have experienced internal IT, finance and legal support available to proceed now. We can supplement this with external legal and financial advice from our already-procured panels of external advisers, if this would add value to the project. We have an excellent track record of managing our external project consultants effectively and would do so here.


The project budget will be managed in line with our normal project management systems (see section C2) with regular monitoring and reporting, including through formal gateway reviews.

H3. Fit with Governments Approach to Using SMEs in Delivery

The proposal should demonstrate its fit with the government's approach to using SMEs in delivery

The Council is working hard to support local businesses through its procurement activity to maximise the economic benefit of procurement spend, both within the city and the North East. Recent analyses of the Council's procurement spend on goods and services have shown that 53% of spend is with North East suppliers in comparison to a national average of 35.8%.⁵ An investment of this magnitude can only be of benefit to SMEs. Infrastructure development will open up opportunities to contribute to the delivery of **Super-Connected Newcastle**. Whilst SMEs may not have the capability and experience to submit proposals to deliver the main infrastructure works, we will encourage the use of local SME subcontracting to the extent legally permitted in our OJEU process. Working with chosen partners, we will seek to design apprenticeship programmes to embed relevant skills in the SME supply chain. As a result of this investment, SMEs will be eligible to maintain and upgrade the proposed infrastructure. Future implementations contemplated include 4G Wireless, Wi-Fi expansion and wired infrastructure in new developments. We also expect that some of the businesses locating within the ADZ will have nationally agreed contracts for the provision of internet services. We will require providers to show the end owner of the Ethernet will be available to all internet service providers on an Open Access Agreement. There are, of course, a number of large firms already operating in this market, but experience from Gateshead and elsewhere, and evidence from a number of smaller entrants to the market whom we invited to exploratory workshops, shows that a number of small and locally based ISPs have provided superfast services. We will use the OJEU process to require those submitting a tender to show how they intend to market the Open Access Agreement to stimulate the interest and involvement of smaller ISPs.

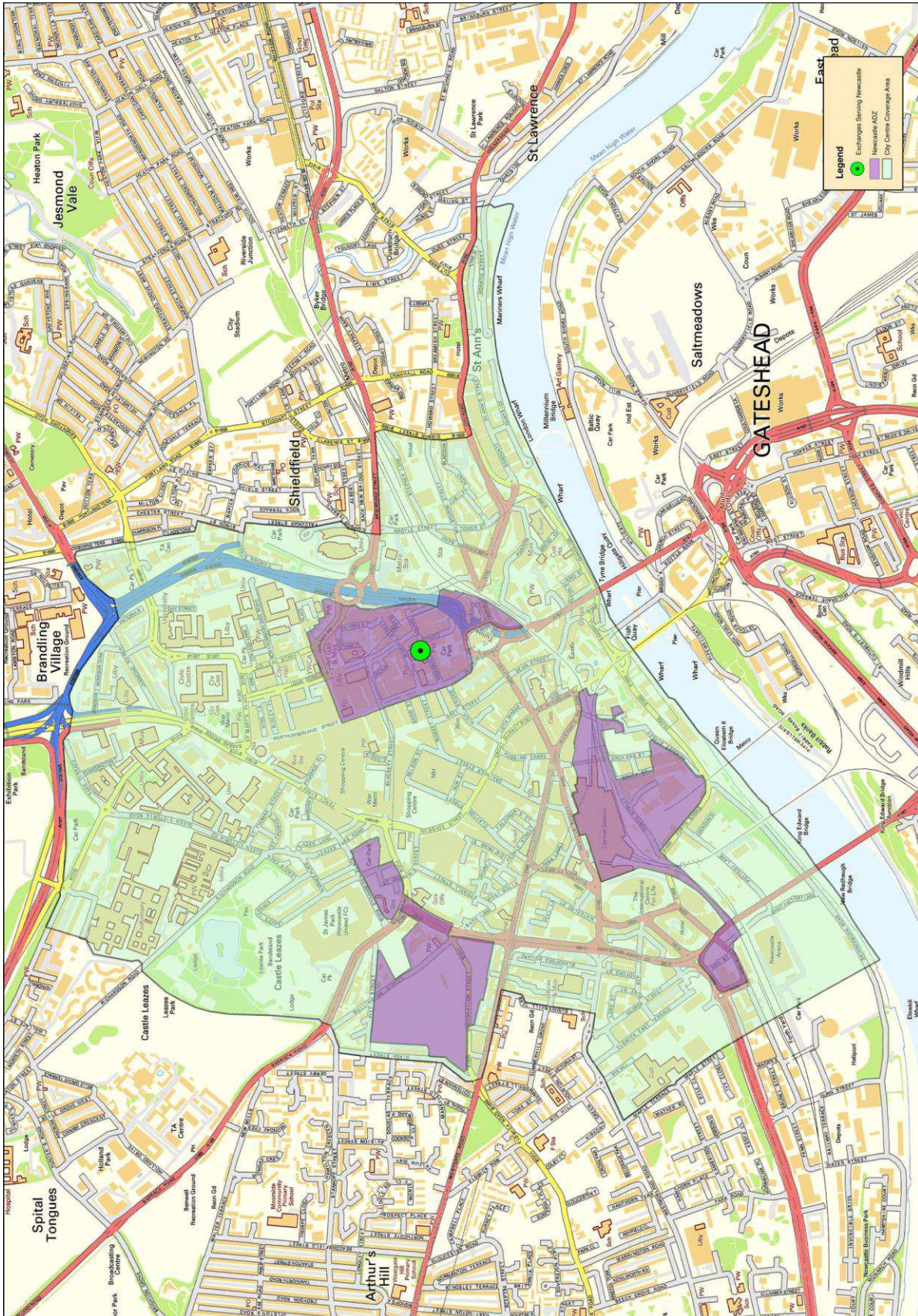
Sign off by Local Authority CEO, Section 151 officer or Portfolio-Holding Executive Member

Name of proposal:	
I verify that this proposal to the Ultrafast Broadband Fund fits with corporate Policy.	
Signed:  Hard copy with signature to be posted Monday 13 th February 2012	
Name: Steve Evans	
Job Title Director of Corporate Services	Date: 13/02/2012

⁵ Chartered Institute of Public Finance Accountancy CIPFA benchmarking

Appendices

Appendix 1 - Map of Newcastle City Centre Boundary



Appendix 2 - Endorsements

Your Homes Newcastle Endorsement



Your Homes Newcastle (YHN), an arm's length management organisation owned by Newcastle City Council, are one of the remaining 7 applicants in a national SBRI competition ran by the Technology Strategy Board called Dallas. Dallas stands for Delivering Assisted Living Lifestyles At Scale. The Dallas competition will award between 3 – 5 successful applicants a share of £23 million pounds to enable people to live independently for longer, deliver innovative and cost-effective services at scale, improve quality of life and provide innovative and high quality products, services and systems. It is expected that these 'Dallas communities' will connect markets (public through to private), lifestyles (technical to social) and promote health and wellbeing (illness and wellness).

The YHN proposal aims to transform the traditional telecare/telehealth services into both desirable mainstream and specialist services that will appeal to both vulnerable residents as well as the wider community. There are many key deliverables to this delivery plan all of which are designed to promote wellness and emotional wellbeing as well as improve and individual's ability to remain independent for longer and improve quality of life. One of the key deliverables is to reduce social isolation and promote connectedness. One of the ways in which this will be achieved is through Dallas's ability to buy technology at scale and thus drive down the cost to the consumer. This will allow YHN to lease internet access technology products such as tablets etc. in the way that it normally leases telecare equipment, for a small charge, that will enable a wider range of residents to connect to friends, family, services, information through the internet. It is crucial for this to be a success that the right broadband infrastructure is in place to take advantage of this opportunity.

The delivery plan includes a key objective to increase UK and local wealth by supporting business to take advantage of the opportunity provided by the Dallas programme to develop innovate products and services that will meet the Dallas objectives. The programme aims to look at supporting our local economy by working closely with our local businesses who already have some excellent innovative technology that would fit this remit.

The barriers to the take up of new technology have been widely documented and therefore are a key priority for the success of the Dallas programme. By combining the innovations and partner agencies from the Dallas programme with the NCC programme Super Connected Cities we will be able to pool resources, share practices and look outside the typical public sector industry for the innovative, useable and desirable technology products and solutions that will increase the take up of new technology. We will also look to use service redesign methodologies to look not just how we brand and market our products and services but also how we include the customer experience into the design to minimise barriers.

Scotswood Endorsement



Thank you for meeting with The New Tyne West Development Company to outline the City's current Broadband strategy.

The NTWDC, as you are aware is a Joint Venture partnership between Newcastle City Council and a consortium of House-builders comprising; Barratt David Wilson, Keepmoat Homes and Yuill Homes.

The Company currently has planning Consent for the development of a new urban neighbourhood at Scotswood comprising 1800 homes together with a local shopping centre of up to 2230 square metres of retail, 3000 square metres business premises, 900 square metres of community buildings as well as the potential for enhancing or providing new school facilities.

Development is due to commence on site in the last quarter of 2012 with an annual build rate of approximately 120 homes per year, with the scheme planned to build out over a 15 year period. New residents are anticipated to be in occupation from the start of 2013.

The Company has expressed a desire to provide high speed or superfast broadband services to the new community and has had initial dialogue with the two major providers Virgin Media and BT.

Virgin Media have indicated Superfast broadband with speeds of up to 100mb can be provided to the development. This would be installed as the scheme is built out with no cost to the DevCo other than the excavation and backfill.

BT has suggested that the local exchange is not yet capable of providing for Superfast broadband this service. They are upgrading the exchanges in the near future and will roll out the service across the west end of Newcastle in due course (no timescales available as yet).

It would be preferable for the Development to offer choice to customers for both telephone and internet services and the NTWDC remain committed to providing the highest possible standard within its housing development, a commitment shared by the house building partners within this scheme. It would also be sensible for the development to be internet enabled at the initial build out stage and we remain keen to explore this possibility.

NTWDC are keen to support the City Council in developing its Broadband strategy and in particular are keen to explore with Newcastle the benefits of bringing extended internet services into the Scotswood area in line with our own build programme.

I would be pleased to meet with your team again to advance this matter and will be pleased to assist the City Council if at all possible in developing a better understanding of the Scotswood scheme, its benefits to the local community and in developing a business case for investment in media infrastructure in the City.

David J Stobbs
On behalf of
New Tyne West Development Company



At Sage, we believe that connectivity allows businesses to thrive. We all operate in a global market and it is vital that the government facilitates as much as it can to allow British businesses to compete both locally and globally. The internet is an essential part of people's lives and investing in broadband provides us with a fundamental opportunity for skills, growth and innovation.

If businesses have access to good internet speeds, they have more chance of succeeding outside the traditional UK business centres like London. Increased broadband penetration will help us to be even more competitive. Newcastle and the surrounding area is a fantastic region, with great universities and leading companies both large and small. We believe that technology is a key enabler for innovation. It allows us to communicate and collaborate and without it, we remove the opportunity for this region to realise its full potential.

The employee talent we have in Newcastle is second to none. But to increase inward investment and continue to encourage new companies to the region, we need an infrastructure that has been specially designed to support business in the 21st Century. With advances in online learning and telemedicine already being realised, investing in superfast broadband will ensure that Newcastle retains its place at the cutting edge of business in Britain.

Lisa Graveling-Hails
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