



Report to:	Development Committee
Subject:	Super Connected Cities – Demand Stimulation activities
Date:	20 August 2013
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1	Relevant Background Information
1.1	Members will be aware that Belfast City Council has been awarded £13.7 million by the Department of Culture, Media and Sport (DCMS) as part of its Super-Connected Cities initiative. This is one of the key Investment Programme initiatives that aims to develop Belfast's economic infrastructure, promote growth and attract inward investment for the city.
1.2	A key objective of the Super Connected Cities initiative is to ensure that Belfast-based businesses have access to high speed fibre connections to enable them to do what they did before but more efficiently, and to allow them to explore new ways of doing business. The infrastructure provided under this initiative will also provide opportunities for new business development and will provide non-technical businesses with the opportunity to implement a broadband solution to support business growth and identify new markets.
1.3	Many areas of Belfast have access to broadband with speeds of up to 24 Mbps (megabits per second). By mid-2015 (completion date of the Super Connected Cities initiative), we aim to enable city-wide access to a network providing speeds of at least 80Mbps. Speeds of at least 100 Mbps will also be available for businesses that require it, such as those in creative industries, that send large volumes of data.
1.4	While the funding from DCMS can only be used for infrastructure costs, experience from elsewhere, and feedback from early engagement with local companies, suggests that businesses require support to help them maximise the potential of the infrastructure.
1.5	As part of the Council's Investment Programme, we are committed to pursuing funding from European Regional Development Fund (ERDF) in support of the city's economic development plans. One of the key opportunities identified has been the need for a demand stimulation programme to supplement and support

1.6	<p>the investment in telecoms infrastructure, helping local businesses to improve their productivity and competitiveness.</p> <p>An economic appraisal on the ERDF Super Connected Cities demand stimulation activity application is currently under way and is expected to be completed by September 2013. Subject to a positive outcome of the appraisal, a letter of offer is likely to be issued by October 2013.</p>
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2	Key Issues
2.1	<p>While the original confirmation of funding from DCMS was issued some time ago, a legal challenge to Birmingham's funding bid on the basis of State Aid issues meant that DCMS were forced to review the programme guidelines. The upshot of this is that the majority of the connections are now to be "demand-side" measures (i.e. the business has to make a direct application for support) as opposed to "supply-side" measures (i.e. the Council funds suppliers to provide connectivity at agreed locations across the city, without necessarily scoping out the demand in the area).</p>
2.2	<p>In order to test this approach, DCMS asked Belfast, along with three other cities (Manchester, Cardiff and Edinburgh) to become involved in a market testing phase. This meant rolling out a connection voucher scheme on a time-bound basis (1 August - 30 September 2013) with a view to testing the approach and ascertaining whether this would generate any further objections from the supplier base.</p>
2.3	<p>Under the terms of the connection voucher scheme, a sum of up to £3,000 can be provided to a business to enable them to access ultrafast broadband. Companies can choose from a range of potential suppliers.</p>
2.4	<p>Given the very short timeframe set by DCMS, as well as the need to demonstrate a significant level of demand, in line with our original funding approach, a number of target locations were identified for the market-testing phase. These include:</p> <ul style="list-style-type: none"> - Cathedral Quarter - City East / East Belfast Enterprise - Ormeau Business Park - Ortus - Argyle Business Park - North City Business Centre - Harbour Estate.
2.5	<p>All SMEs and third sector organisations based within these locations are eligible to apply for a voucher during the market-testing phase. It is anticipated that the scheme will be rolled out city-wide from November 2013, subject to approval by DCMS.</p>
2.6	<p>In order to complement the infrastructure funding from DCMS, the Council previously agreed to make a funding application to European Regional Development Fund (ERDF) to secure up to 75% of the costs of a demand stimulation programme. This would both raise awareness of the infrastructure investment and provide targeted mentoring support to help businesses get online or use the technologies to help them work more efficiently.</p>
2.7	<p>It is intended that the demand stimulation support will be available to all</p>

	<p>companies within the Council area, focusing on those availing of connection vouchers. Support will be tailored to meet the demands of the individual businesses. Outputs will include:</p> <ul style="list-style-type: none"> - Number of businesses developing an online presence for the first time - Increase in percentage of sales / business generated through e-commerce, for those companies with an existing online presence - Number of new products / services created by participating businesses. - Level of funding leveraged (public / private? By participating businesses - Number of businesses involved in international networks - Number of companies active in new markets.
2.8	<p>Outcomes will include:</p> <ul style="list-style-type: none"> - Enhanced profile of Belfast as a digitally connected business destination. - Growth in scale of knowledge economy businesses in Belfast - Improvements in GDP (Gross Domestic Product) levels in the city, from investments in new sectors - Increased employment opportunities within the creative and digital sectors - Enhanced opportunities to secure foreign investment (FDI) in new growth sectors.
2.9	<p>Given that the market testing phase is already under way and that, subject to DCMS approval, the connection vouchers will be available city-wide from November 2013, it is considered essential that the development activity on the demand stimulation programme is put in place as quickly as possible.</p>
2.10	<p>Due to the specialised nature of the support, this work will be subject to public procurement. The funding application identifies the broad programme of work. However, this will now have to be developed into a tender specification and issued through the appropriate channels.</p>
2.11	<p>In order to facilitate this process, it is considered that some preliminary work may be required to progress at risk the demand stimulation support work, in advance of the letter of offer being issued by Invest NI.</p>
2.12	<p>As a means of minimising the risk to Council of this approach, it is intended that Invest NI will be asked to provide “prior approval” for expenditure of up to £150,000 incurred in advance of issuing the letter of offer. This means that, if the funding application is successful and the grant is awarded, any prior expenditure incurred on this work up to a value of £150,000 will be eligible for match funding from ERDF / Invest NI of up to 75% of the costs incurred.</p>

3	Resource Implications
3.1	<p><u>Financial</u></p> <p>The overall funding application for the demand stimulation support work is around £500,000. Should the funding application be approved, ERDF / Invest NI support of up to 75% of total costs i.e. up to £375,000 will be provided. The net cost to Council will be £125,000.</p>

4	Equality and Good Relations Considerations
4.1	<p>There are no specific Equality and Good Relations Considerations attached to this report.</p>

