

**Department of Finance
Memorandum on the Thirteenth
Report from the
Public Accounts Committee
Mandate 2017-2022**

Broadband Investment in Northern Ireland

**Presented to the Northern Ireland Assembly
by the Minister of Finance**

29 May 2024



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Glossary of Abbreviations

BT	British Telecom
COPE	Centre of Procurement Expertise
DfE	Department for the Economy
DoF	Department of Finance
LPS	Land and Property Services
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NIBIP	Northern Ireland Broadband Improvement Project
NICS	Northern Ireland Civil Service
OMR	Open Market Review
PAC	Public Accounts Committee
SRP	Superfast Rollout Programme

Thirteenth Report

Department for the Economy

Broadband Investment in Northern Ireland

PAC Recommendation 1

The Committee recommends that in future contracts the use of any automated formula is carefully considered to ensure it is appropriate and will give a score which is commensurate with the objectives of the procurement. This should involve a consideration of scoring methodologies used by Centre's of Procurement Excellence (COPE's) across all government contracts.

The Department of Finance (DoF) accepts this recommendation.

A 'Sourcing Toolkit' was published in September 2022 which is aligned to the Cabinet Office's Sourcing Playbook. The Toolkit aims to provide commercial, finance, project delivery, policy and other professionals with guidelines, rules and principles that will help them avoid the most common errors observed in sourcing and contracting, and realise better commercial outcomes from government spending. Section 3 of the Sourcing Toolkit is devoted to Selection and Award which includes the effective design of how evaluation models should be developed. The toolkit also provides advice on assessing level of deliverability (or delivery risk) in a tender during the evaluation.

The Department for the Economy (DfE) also accepts this recommendation and continues to work with Construction and Procurement Delivery within DoF, involving them at the early stages of tender design and making use of expertise within the relevant Centre of Procurement Expertise (COPE).

DfE will also continue to carefully consider, during the tender design phase, how automated scoring formula could impact outcomes and seek expert advice, where needed.

PAC Recommendation 2

It is recommended that for any future exercises by all Departments which requires access to databases containing the addresses of premises, more effective liaison is carried out at an early stage with Land and Property Services to ensure that the information being provided is the most relevant information available and that any limitations of the data are fully understood.

DoF accepts this recommendation.

DoF agrees that for any exercises which require access to databases containing the addresses of premises, there should be early engagement and liaison between the relevant department and Land and Property Services (LPS) to ensure that the information being provided is the most relevant available, and that any limitations of the data are fully understood.

DoF will therefore bring this issue to the attention of Accounting Officers and ask them to disseminate the recommendation to relevant business areas within their departments and take steps to encourage effective early liaison with LPS.

DfE also accepts this recommendation and recognises the need to foster closer collaboration with LPS at the formative stages of exercises that require access to, and utilisation of, datasets managed by LPS.

PAC Recommendation 3

It is recommended that in any future consultation exercise such as this, where the public are effectively being asked to confirm the completeness and accuracy of project assumptions, greater efforts should be made to promote awareness of the consultation.

DoF accepts this recommendation.

DoF will draw this to the attention of Accounting Officers to highlight that in future consultation exercises such as this, due consideration and efforts should be made to promote awareness of the consultation.

DfE also accepts that for public consultation exercises to be effective, it is important that a range of channels and mechanisms are considered to ensure that the public and key stakeholders are made aware of project assumptions and are provided the opportunity to engage with DfE to test and challenge those assumptions. Beyond traditional print media and engagement with local councils, DfE recognises the need for agile public consultation through the effective utilisation of social media and digital engagement, drawing on the experience and expertise across the Northern Ireland Civil Service (NICS), taking account of cost and resource considerations. During the public review for Project Gigabit, DfE asked councils to promote the review on their websites and promoted the review across social media.

PAC Recommendation 4

It is recommended that LPS closely review how it maintains its pointer system to ensure that it is as accurate as possible and that as part of this improved arrangements are put in place to ensure that all information providers, particularly district councils, provide their information on as timely a basis as possible.

DoF accepts this recommendation.

LPS has procured a new Address Management System. The new contract was awarded on 31 May 2022 and the new system went live on 04 December 2023. For the first time Councils use the same Addressing System as the LPS Addressing team which ensures that everyone is looking at the most up to date information. The new system provides a new workflow management component which will allow the LPS Addressing team and Councils' Building Control teams to manage, review and process addressing data and intelligence received from internal and external stakeholders. The new system also provides real time reporting dashboards of address information and where an address is in its lifecycle. Overall, the new Address Management System ensures that addressing information is as up to date as possible as all parties involved will be looking at the same information and same workflows.

LPS put a proposal to NICS Board to mandate the use of Pointer across all NICS systems, which would assist in gathering information and feedback on addresses to improve the quality of the addressing information in Pointer. The mandate was approved by NICS Board and came into effect on 30 October 2023.

PAC Recommendation 5

When providing evidence to the Audit Office as part of its enquiries it is recommended that Departments are as open and transparent as possible and share relevant information, even if it is not specifically asked for.

DoF accepts this recommendation.

DoF worked extensively with the Northern Ireland Audit Office (NIAO) and the Public Accounts Committee (PAC) Office to produce comprehensive guidance on all aspects of the public audit process, *Guidance on NI Public Audit Process including PAC Scrutiny of Public Spending* which was issued under cover of DAO (DoF) 03/21. The guidance already covers the above point within chapter 2 as below:

“From before the start of and throughout a study, it is essential for departments and organisations, to work closely with NIAO teams in order to understand fully its scope, the provision of information required by NIAO, the resources needed to support the study, and the emerging findings and conclusions. In doing so, departments and organisations are also expected to provide NIAO teams with information that is reasonably required to carry out their studies. Indeed, where necessary, departments and organisations should also alert NIAO teams to data and evidence not requested by them but which departments or organisations feel are relevant and material to presenting a proper balance of up-to-date facts. Lead business areas within departments should ensure their Finance Director is kept informed of any ongoing NIAO studies and any relevant issues raised within them.”

DoF will however draw this to the attention of Accounting Officers to remind Departments of this responsibility.

DfE also accepts this recommendation and can assure the Committee that its aim when responding to enquiries from, and providing information to, NIAO is to engage in an open and transparent manner. DfE will ensure that all relevant and pertinent information in connection with the scope of any future audit being carried out is shared with NIAO in a timely manner.

PAC Recommendation 6

It is recommended that the Department urgently identify those properties that will still not have access to even basic broadband services at the end of Project Stratum and put arrangements in place to ensure that their needs are addressed. In the case of those who could not be included because they currently receive a basic service from a wireless provider, these should be clarified quickly and if they cannot be provided with faster broadband they should be added to the list of premises to be improved under Project Stratum.

DfE accepts this recommendation.

DfE will continue to improve systems and processes to identify premises eligible for public intervention more accurately, working with a range of stakeholders, including Ofcom and the communications providers.

To identify premises which were not previously categorised as eligible for intervention under Project Stratum, DfE held a State aid public review over July and August 2022, in accordance with the National Broadband Scheme for the UK for 2016-2020. This included premises where superfast services of 30 Megabits per second were claimed by a wireless provider during the Project Stratum Open Market Review (OMR).

Following this review, an additional 5,129 premises were categorised as eligible for inclusion in Project Stratum. Following discussions with the supplier, 1,356 of these premises were brought into the scope of the project, in line with the maximum public funding of £200m allowed under the procurement; all premises that have been brought into Project Stratum are scheduled to be able to order services by June 2025.

In addition, work has begun on an intervention in Northern Ireland (NI) under Project Gigabit which will bring gigabit-capable broadband to those with a superfast connection, as well as ensuring all but the hardest to reach remaining premises with only basic broadband are able to access gigabit-capable services.

PAC Recommendation 7

The Committee recommends that in any future project the Department examines if there is any way that it might be able to better protect itself, and the integrity of its broadband projects, by limiting the potential for commercial operators to change their plans within a short period.

It is also recommended that the Department closely monitor the potential for overbuild and take steps to de-scope properties promptly if it sees a risk of that happening.

The 900 properties which have now been excluded from Project Stratum because the planned investment by BT is no longer happening should either now be included in the project or have some other process identified for improvement within the same timescale.

DfE accepts this recommendation.

DfE recognises that the integrity of the broadband procurement processes will be better protected by the provision of more reliable and robust plans associated with commercial operators' intended rollout. DfE will continue to engage with infrastructure providers on such matters. However, the National Broadband Scheme for the UK for 2016-2020 is clear that State intervention is limited to premises that cannot access a service of 30 Megabits per second, or, as established under a detailed mapping and public consultation exercise, will not be able to access such a service within three years. The guidance further explains that mapping and re-consultation must be done before changes or additions can be made to existing intervention areas.

DfE believes that a more agile approach to OMRs could allow flexibility in determining intervention areas during the procurement process. Under Project Gigabit, premises where suppliers have reported coverage in the OMR but that coverage has not been verified, or there is a risk to its delivery will be categorised as Under Review. While Under Review premises cannot be included in the initial scope of a procurement, they will continue to be monitored after contract signature. If a supplier fails to deliver against the agreed parameters, then Under Review premises may be brought into the scope of the contract.

DfE will also continue to encourage commercial operators to stand over previous investment plans. However, where market failure persists, DfE will take all reasonable steps to ensure that all premises identified as eligible for public intervention, and which remain without access to a commercial solution, can benefit from planned publicly funded broadband initiatives. This would include premises not included in Project Stratum based on information previously submitted by infrastructure providers.

PAC Recommendation 8

The Department should urgently investigate why no competitors have come forward to use the network funded by Project Stratum. It also needs to ensure that the fibre network it has paid for is made available to competitors at a fair rate so as to ensure reasonable prices for consumers.

DfE accepts the Committee's recommendation.

Following engagement between DfE and the contractor, the contractor created a new wholesale product (Wholesale Total Broadband). Since the launch of this product, two service providers have come on board and are offering services over the network provided through Project Stratum. DfE are also aware of continuing interest from other parties.

PAC Recommendation 9

Based on the experience from the Northern Ireland Broadband Improvement Project provided by BT, it is recommended that in any future scheme the Department needs to be much more robust in its estimates of how much benefit they expect from its investment. It would then be in a position to challenge the contractor about any differences and better assess value for money.

DfE accepts this recommendation.

DfE will continue to make use of the best available data to predict future telecoms demand and hold contractors accountable across a number of dimensions. DfE would highlight that with Project Stratum there was a competitive tendering process. Take-up projections are an important part of the tendering process, based on

industry trends at the time of contract award, and provide an important input into the Project Finance Model. Such an approach gives bidders no incentive to underestimate take-up and optimises value for money.

PAC Recommendation 10

Clawback is due from BT on both the Northern Ireland Broadband Improvement Project and SRP2 project. It is recommended that the Department closely monitor the dates for repayment of the clawback amounts and ensure that the funds are received as expected. As far as possible this money should be used for further broadband improvements in Northern Ireland.

DfE accepts this recommendation.

Up to 31 March 2024, DfE has received clawback payments totalling £4,068,694, relating to the Northern Ireland Broadband Improvement Project (NIBIP) and Superfast Rollout Programme (SRP) projects. No further clawback is due from NIBIP. Gainshare provisions in the SRP contract are due to complete by 31 December 2024, and any further income receivable will be monitored closely.

DfE will consider if clawback funds are required for further broadband improvement. However, Building Digital UK has confirmed that capital funding for Project Gigabit in NI will be allocated in its entirety, subject to necessary approvals.