



Building
Digital UK



Annual Report and Accounts

For the period 1 April 2022 to 31 March 2023

Presented to Parliament by Command of His Majesty



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Foreword from the BDUK Chair and Chief Executive

Building Digital UK became an executive agency on 1 April 2022. The publication of our first Annual Report and Accounts marks an important milestone for the organisation. This year, our focus has been on accelerating the current delivery of our two digital infrastructure programmes, Project Gigabit and the Shared Rural Network, while establishing a new governance structure and approach that will enable us to achieve our goals.

We exceeded our Project Gigabit delivery target for the year, passing 162,600 premises with gigabit-capable broadband. In total, we have now delivered gigabit connectivity to 929,700 premises in mostly hard-to-reach communities across the UK. We are proud of these figures, but it is seeing the difference that our work makes to people's lives that highlights the importance of what we do. From enabling a small rural business to grow, to transforming education in village schools, we have seen the tangible impact our programmes are delivering for people across the country.

This year, we awarded our first local and regional contracts for Project Gigabit. These contracts will form the cornerstone of our delivery of nationwide gigabit broadband by 2030, targeting the remote and rural communities with poor broadband connectivity, and levelling up the UK's digital infrastructure. The Prime Minister and Secretary of State announced our first contract in North Dorset in August 2022, and we signed a further seven during the year, supporting

suppliers with almost a quarter of billion pounds of investment. We have also made excellent progress in laying the groundwork for future delivery, launching 19 new procurements in England this year, while working with the devolved administrations to survey and identify the areas we will need to reach in Wales, Scotland and Northern Ireland.

When it comes to our Shared Rural Network programme, this year the UK's four mobile network operators have focused on upgrading and expanding their network of phone masts to reduce the 'not-spots' in 4G coverage that frustrate and hinder opportunities in rural locations. A key site sharing agreement was signed between the Home Office and mobile network operators; and this year also saw significant work on the first government-funded site, in Lockerbie, which was made available to the mobile network operators in February, and fully activated in April 2023 - a landmark achievement and the first of more masts planned over the coming years.



“ We know the positive and transformational impact that fast, reliable connectivity can have on individuals, families and businesses. It can kickstart a local economy, bringing the best digital access as well as improved job and training prospects. ”

While we have made excellent progress, we cannot shy away from the challenges of operating in a dynamic marketplace. This year, we have begun to see how our programmes and partners can be affected by prevailing economic headwinds. To deliver, we must navigate wider macroeconomic, resource and financial challenges with our key stakeholders. Our work requires significant ongoing collaboration with local councils, devolved administrations and the private sector. Our relationships will be key as we work together to achieve many of our shared, ambitious objectives.

Looking inwards, our transition to an executive agency has enabled us to strengthen our governance and assurance frameworks. A new board of non-executive directors is in place, and it was pleasing to see our scores for Leadership and Managing Change in the 2022 People Survey increase by 10 percentage points. Overall, we saw positive trends in eight of the 10 areas reported. There is still room for improvement

though, and we have put in place a new People Strategy to help us deliver our objective of making BDUK a great place to work for everyone.

This year we have been managing our transition to a new sponsor department, and we recognise that this will take some time. We have established productive relationships with new colleagues in the Department for Science, Innovation and Technology (DSIT), and we will continue to work closely with them, and other key stakeholders across the public and private sector, to transform the UK's digital infrastructure.

We know the positive and transformational impact that fast, reliable connectivity can have on individuals, families and businesses. It can kickstart a local economy, bringing the best digital access as well as improved job and training prospects. It is this huge and lasting positive change that makes us so very proud to lead this organisation - we have already achieved much, but there is still so much more to do.



Simon P. Blagden CBE
BDUK Chair



Dean Creamer CBE
BDUK Chief Executive Officer

Friday 17th November 2023

Performance Report



About Building Digital UK

BDUK is an executive agency with a mission to ensure that homes and businesses across the UK can access fast and reliable digital connectivity. We are responsible for the rollout of gigabit-capable broadband and the expansion of mobile coverage in hard-to-reach areas of the UK.

During the year our sponsor department was the Department for Digital, Culture, Media and Sport (DCMS) and our reporting is consolidated in the DCMS Annual Report and Accounts. At the end of the year, we moved to a new sponsor department, the Department for Science, Innovation and Technology (DSIT).

We work closely with colleagues in the Digital Infrastructure directorate of our sponsor department to support the telecommunications sector, providing funding to improve digital connectivity in places that suppliers will not reach through their commercial plans alone.

BDUK is responsible for two major programmes:

- 1. Project Gigabit:** A £5 billion programme to deliver gigabit-capable broadband to homes and businesses across the UK. The programme will support the government's target to ensure nationwide gigabit-capable broadband by 2030, making sure that people have the same access to fast and reliable connectivity wherever they live, work and study.
- 2. Shared Rural Network:** A £1 billion joint investment with industry, the Shared Rural Network brings mobile broadband to rural communities across the UK. Developed by the UK's four mobile network operators¹ and government, the programme will deliver 4G coverage to 95% of the UK² by December 2025. The programme is making progress to meet this target, and further coverage improvements in hard-to-reach areas will continue to be delivered until the start of 2027, enabling rural businesses and communities to thrive.

We work with other government departments, regulators, the private sector and public bodies to deliver these programmes.

Project Gigabit and the Shared Rural Network support the government's levelling up agenda to reduce regional inequalities. Our work to improve broadband and mobile coverage will help to bridge the digital divide and enable people across the UK to enjoy the advantages of cutting-edge connectivity for their families, businesses and communities.

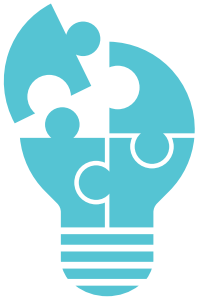
Our programmes will level up largely rural and remote communities, transforming them into places where people have more confidence to settle, raise their families and start successful businesses. Improvements to digital infrastructure will create and support thousands of high-paid, high-skilled jobs, generate opportunities for innovators and wealth creators, provide greater access to online services, and improve people's homelife with greater access to streaming services and the ability to stay connected with their loved ones.

Our Chief Executive Officer (CEO) is both the Accounting Officer and the Senior Responsible Owner for our two major programmes. The CEO is held to account by the Secretary of State, Minister of State, and DSIT's Principal Accounting Officer, and is advised and challenged on strategy, delivery and risk management by BDUK's Board. As a part of the Government Major Projects Portfolio (GMPP), Project Gigabit is subject to regular scrutiny by the Infrastructure and Projects Authority (IPA). The Shared Rural Network is below the GMPP threshold but is subject to regular assurance from the sponsor department.

¹ The four mobile network operators are EE, Three, VMO2 and Vodafone.

² 95% of the UK geography will have coverage from at least one mobile network operator.

To achieve our goals, our work is underpinned by four core values: Embracing Challenges, Delivering Excellence, Working Together and Respecting Differences.



EMBRACING CHALLENGES

We are solutions driven



DELIVERING EXCELLENCE

We always strive for the best



WORKING TOGETHER

We achieve more if we share



RESPECTING DIFFERENCES

We listen and consider then act

Challenges

While we will continue to push ahead to deliver our objectives and meet the government’s targets, we remain ever mindful of market challenges and economic headwinds.

The speed, scale and timing of Project Gigabit means BDUK is seeking to subsidise suppliers to build gigabit-capable infrastructure in hard-to-reach areas while suppliers’ own commercial build is constantly expanding and changing. To ensure we only subsidise build where it is needed, and so meet our obligation to secure value for money, we invest time and effort to carefully consider suppliers’ commercial build plans and then adjust our interventions as necessary. We are confident that by continuing to work closely with the market, we are putting ourselves in the best position to achieve our goals, while balancing the trade-off between pace and our obligation to secure value for money.

The key challenge facing the Shared Rural Network is the difficulty of locating sites in very rural and hard-to-reach areas. This can present problems in relation to acquisition (such as landowner agreements and

gaining planning permission), access, power solutions, construction, and transmission. We work closely with our delivery partners to support in resolving these issues where possible. In addition, we work with the Home Office, Digital Mobile Spectrum Limited (DMSL)³ and the mobile network operators to ensure appropriate commercial agreements are in place to deliver our objectives.

To deliver, both Project Gigabit and the Shared Rural Network, we must navigate wider macroeconomic, resource and financial challenges with our partners. The market remains dynamic, with changes to inflation, interest rates, supply and labour costs causing uncertainty for commercial and subsidised delivery. Higher costs of materials and resources will impact suppliers’ delivery while lower consumer appetite for more expensive connections and higher borrowing rates may dampen some investors’ enthusiasm for the digital infrastructure market. We will continue to anticipate future scenarios and develop contingencies to ensure successful digital delivery.

³ Digital Mobile Spectrum Limited (DMSL), a joint venture of all four mobile operators, coordinates elements of the SRN programme and provides reporting and tracking information for the four MNOs and DSIT.

Performance overview and key achievements

This section provides a summary of BDUK's performance between April 2022 and March 2023.

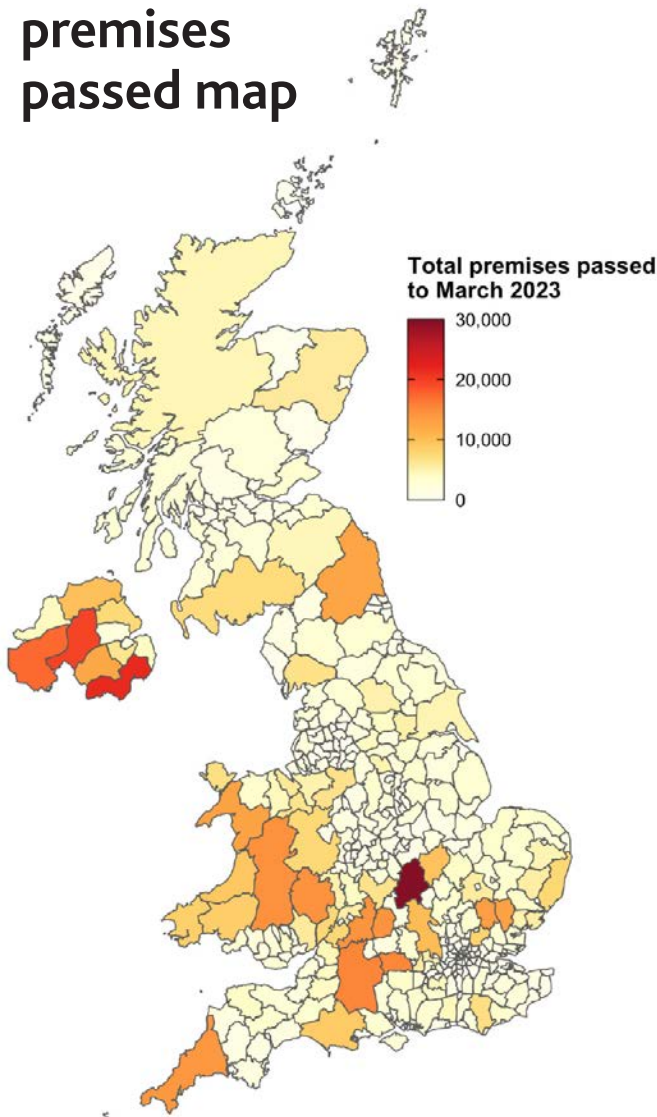
Project Gigabit in numbers⁴



1. **929,700 premises** passed with a gigabit-capable connection so far
2. **162,600 premises passed** in 2022 to 2023
3. **731,400 sub-superfast premises** passed so far
4. The number of **premises passed by local authority** (see illustration opposite)
5. **19 Procurements launched** in 2022 to 2023 (to pass up to 602,000 premises and **worth up to £953.1 million**)
6. **8 Contracts signed** in 2022 to 2023 (to pass up to 147,000 premises and **worth up to £247.7 million**)
7. **Vouchers value increased from £1,500 per home and £3,500 per business to £4,500** for all eligible premises so that harder to reach premises were brought in scope
8. **204,500 premises passed with vouchers** so far

⁴ Data represents BDUK progress to 31st March 2023. For our most up to date procurement information, please refer to our latest quarterly update. Figures used in this section refer to all BDUK subsidies aimed at delivering gigabit-capable connectivity - including Project Gigabit, certain delivery under the Superfast Programme, and previous legacy programmes like Local Full Fibre Networks, UK Gigabit Vouchers, and Rural Gigabit Connectivity. Delivery from these programmes are grouped into coverage from "Project Gigabit" here for ease of reference.

Project Gigabit premises passed map



Notes:

1. Map indicating the total number of premises passed by BDUK interventions in each local authority district area up to March 2023.
2. Local authority district areas in London have been combined into a single unit, and the premises passed by BDUK have been summed.

Project Gigabit was launched in March 2021, building on successful legacy programmes such as the Superfast, Local Full Fibre Networks and Rural Gigabit Connectivity programmes. The government has committed £1.2 billion to Project Gigabit until the end of 2024 to 2025, out of a total budget of £5 billion over the lifetime of the programme.

Our interventions aim to deliver gigabit-capable connectivity to at least 1.56 million premises⁵ across the UK in hard-to-reach areas by the end of 2025. Combined with suppliers' commercial build, this will support the government's target for 85% of UK

premises to have access to gigabit-capable broadband by the end of 2025, and then nationwide coverage by the end of 2030.

During the year, three of our four interventions⁶: Superfast contracts, the Gigabit Broadband Voucher Scheme and GigaHubs, continued to provide coverage to more homes and businesses across the UK. The majority of our future delivery will come through large scale Gigabit contracts, the majority of which are in procurement. These contracts will typically take at least three years to provide coverage for tens of thousands of premises, and so we expect delivery to continue to build in the forthcoming years. Our latest Corporate Plan 2023 to 2026 includes more detail on our delivery profile up to December 2025.

We have achieved all of our objectives for Project Gigabit set out in our Corporate Plan 2022 to 2023. We signed our first contract in North Dorset on 25 August 2022, and a further seven during the year, from Cornwall to Cumbria and Northumberland. These contracts will see suppliers bring gigabit-capable broadband to up to 147,000 hard-to-reach homes and businesses, and represent an investment of up to £247.7 million. We also launched a further 19 procurements worth up to £953.1 million and relaunched the Gigabit Broadband Voucher Scheme with an increase in voucher value.

Our Corporate Plan 2022 to 2023 set the objective of meeting an initial milestone of passing at least 110,000 premises over the course of the year. Our minimum target trajectory - the minimum number of premises BDUK needs to pass to reach 1.56 million by the end of 2025 - suggested that we would need to reach 75,000 premises through our Superfast contracts and 35,000 through the vouchers scheme in 2022 to 2023. Our actual delivery has surpassed this milestone, as our interventions passed 162,600 premises (93,500 through Superfast and 69,000 through vouchers).

In 2021, BDUK was set the target of reaching 1.56 million hard-to-reach premises with gigabit-capable broadband. This figure was based on 5% of total UK premises as recognised in Ofcom's April 2021 Connected Nations report. By March 2023, we had passed 929,700 premises with gigabit-capable connectivity through our interventions. This includes 865,400 that are part of Ofcom's dataset, and a further 64,300 premises such as apartments in multiple dwelling units that are not included in Ofcom's figures.

We updated our minimum target trajectory in our Corporate Plan 2023 to 2026.

⁵ A premises is 'passed' when it is able to take up a gigabit-capable service without significant additional connection costs.

⁶ Description of interventions included on page 11.

Project Gigabit delivery

The table below shows our delivery in 2022 to 2023 saw a slight increase from that of 2021 to 2022, as Superfast contracts and vouchers continue to deliver in large numbers. We anticipate the scaling down of legacy programmes in 2023 to 2024, with our delivery ramping up again in 2024 to 2025 and beyond, as more Gigabit contracts are awarded.

Table 1: Premises passed against the Corporate Plan 2023 to 2026 minimum trajectory

	By end March 2021	April 2021 to March 2022	April 2022 to March 2023	April 2023 to March 2024	April 2024 to March 2025	April 2025 to December 2025
Minimum target premises passed for BDUK interventions	600,000	142,000	133,000	125,000	200,000	360,000
Actual premises passed by BDUK interventions	612,200	154,900	162,600			
Cumulative						
Cumulative minimum target premises passed for BDUK interventions	600,000	742,000	875,000	1,000,000	1,200,000	1,560,000
Cumulative actual premises passed by BDUK interventions	612,200	767,100	929,700			

Source: BDUK Management Information as of August 2023



Delivery by intervention

Project Gigabit utilises four main interventions; Gigabit contracts, Superfast contracts, Gigabit Broadband Voucher Scheme and GigaHubs. The table below shows the contribution each of our interventions has made to deliver gigabit-capable coverage:

Table 2: Premises passed by intervention (rounded to nearest 100)

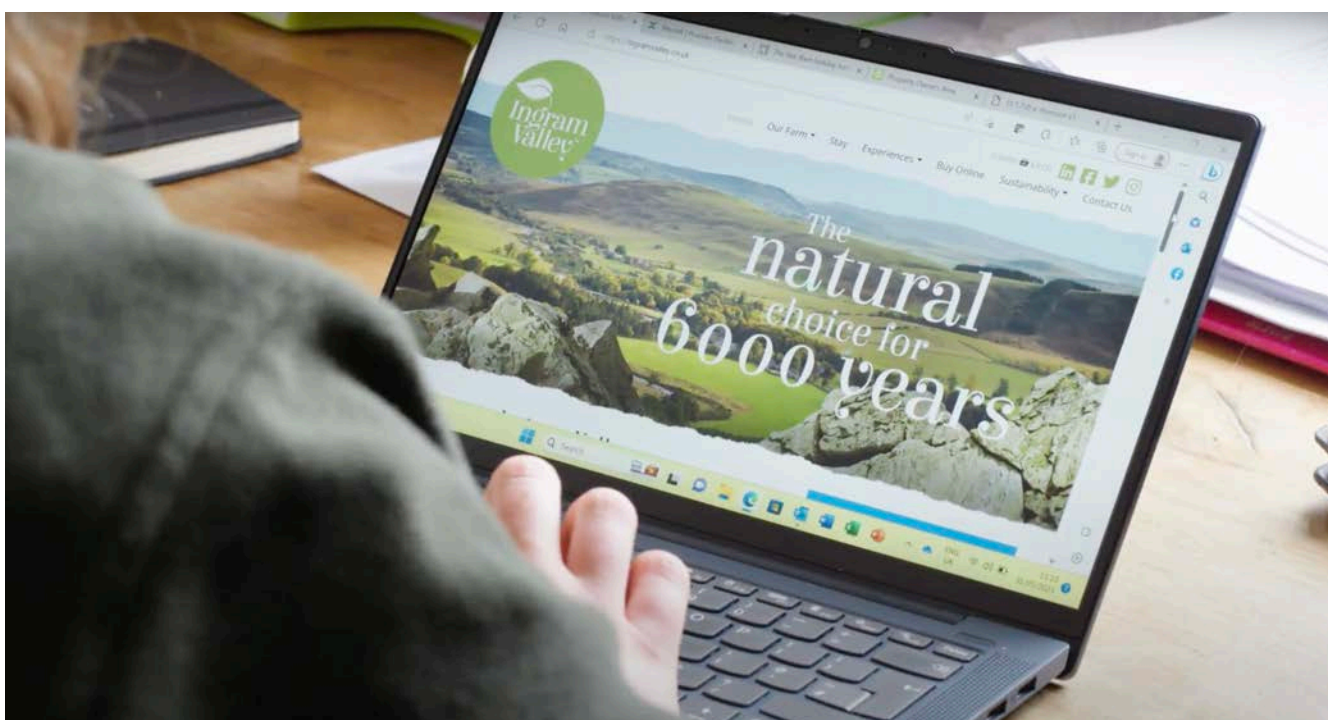
Intervention approach	Premises passed by 31 March 2021	Premises passed between April 2021 and March 2022	Premises passed between April 2022 and March 2023	Total
Superfast	524,300	102,900	93,500	720,800
Vouchers	86,600	48,900	69,000	204,400
Hubs*	1,300	3,200	<50	4,500
Gigabit contracts (active from 2022 to 2023)**	0	0	0	0
Total	612,200	154,900	162,600	929,700
Minimum target premises passed for BDUK interventions	600,000	142,000	133,000	875,000

Source: BDUK Management Information as of August 2023

Notes:

* Hubs actual figures shown as <50 delivered.

** Gigabit contracts - A small number of premises were passed by suppliers delivering Gigabit contracts in 2022 to 2023 (fewer than 200). A portion of these are still subject to further governance and testing and will be reported as part of future performance reports.



Gigabit contracts

These interventions are subsidies in the form of large contracts, awarded to suppliers to build gigabit-capable infrastructure to premises not reached by their commercial build plans. We signed eight contracts in 2022 to 2023, with delivery beginning in earnest in 2023 to 2024.

Case study: Fibrus makes first connections Staveley

In May 2023, broadband provider Fibrus announced that the first homes had been connected as part of the new £108 million gigabit-capable broadband scheme to improve connectivity in rural Cumbria.

Fibrus was awarded the Project Gigabit contract for Cumbria in November 2022, with a remit for the provision of full-fibre broadband to around 60,000 premises in the area. It took just six months for residents in Staveley to experience the benefits of the fastest broadband on the market thanks to new technology provided by Fibrus. All newly connected properties in Staveley are now using cutting edge technology which offers broadband speeds of up to 2Gbps.



(left - right) `Emma Gavin, Fibrus Senior Trading Manager, Maxine and Keith Brown, Libby Bateman, Fibrus External Stakeholder Manager (Image: Fibrus Broadband)

“ All newly connected properties in Staveley are now using cutting edge technology which offers broadband speeds of up to 2Gbps. ”

Superfast contracts

We are also delivering through legacy contracts under the Superfast programme, either extended to deliver gigabit-capable infrastructure, or delivering this as part of the original contract. Through these contracts, 93,500 premises were passed across the UK in 2022 to 2023.

Case study: delivering for a remote island

The Isle of Jura, an Inner Hebrides island off the west coast of Scotland, is one of the UK's most sparsely populated areas. Not only is Jura very hard to reach in geographic, logistical and commercial terms, it also presents a very challenging physical environment for engineers to build fibre infrastructure.

As of April 2023, a BDUK voucher-funded Openreach Fibre Community Partnership on Jura has made excellent progress, delivering more than 100 gigabit-capable connections. This was only made possible by investment from BDUK and the Scottish Government to build the underlying infrastructure, including submarine fibre cables that were deployed to Jura in 2014. This brought superfast broadband to around half of the island's 217 premises, the first step in delivering full-fibre gigabit connectivity to an entire very remote rural island.



Gigabit Broadband Voucher Scheme

Vouchers are small grants which can be claimed by eligible residential and business customers in target areas to cover the additional costs of a supplier extending gigabit-capable infrastructure to their premises. We relaunched the scheme in December 2022, aligning eligibility for vouchers with our Gigabit contracts and increasing their value to £4,500 each, so that harder to reach premises were brought in scope.

A total of 69,000 premises were passed through the voucher scheme in 2022 to 2023.

Case study: Gigabit Broadband Voucher Scheme in action: Elvington Scout Group

Elvington Scout Group, based near York, helps children and young adults reach their full potential, and develop skills including teamwork, time management, leadership, initiative and self-motivation.

Since April 2023, thanks to the Gigabit Broadband Voucher Scheme, the Scout group can now access a fast, reliable broadband connection. What's more, independent internet service provider Fibre and Communication Technology Company (FACTCO) is providing the Scout Hut with two years of full-fibre broadband free of charge, with broadband speeds up to 30 times faster than before.

Cub Scout Erin McEwan-Wright, eight, is one of 85 scouts who benefit from the full-fibre connection. She said: "I use my iPad for Times Table Rockstars which helps me learn my times tables. I also use my laptop for playing horse games; the quicker the internet is, the quicker I can feed and groom my horses!"

Deputy Group Scout Leader Tracy McEwan says that having fast and reliable internet is vital for the Scout Hut and the Elvington community. She added: "With several badges dedicated to Scouts using the internet safely, managing cyberbullying, protecting themselves online and other tips and tricks, relying on quality internet is crucial. We also rely on the internet to download large files, such as videos, and not waiting for downloads saves us a lot of time."



GigaHubs

GigaHubs are grants to connect local public services in hard-to-reach areas, such as schools, libraries, and GP surgeries. In 2022 to 2023 we limited the GigaHubs pipeline to existing projects only due to limited evidence on the effectiveness of this intervention relative to the Gigabit contracts now coming on line.

Further details are included in the performance against our objectives section on page 27.

Case study: Blandford Library - connecting a community

Blandford Library in Dorset is a hub for the whole community, and much more than simply a place to borrow books. Already a valued and important local resource, it has been boosted still further with a gigabit-capable broadband connection made possible by Project Gigabit funding. In July 2022 we went to Blandford to find out more.

The library, sitting right at the heart of the community, hosts digital skills and computer basics courses, and provides computers and high speed wifi for public use. Its facilities prove incredibly popular. Improved connectivity at Blandford means the village now has a Digital Champions Programme, working to improve local digital skills. This in turn has made online services like booking doctors appointments or filling in job applications much more accessible for local people.

Before gigabit-capable broadband, systems at Blandford were slow and often dropped out or did not load at all. This would have a knock-on effect on the public computers, as users often had limited time to complete work and faced infuriating buffering issues.

Since the broadband upgrade, the library has been able to offer a range of digital services including a computer basics course. This course is delivered by the library's Digital Champion and teaches the community online skills that are essential to keeping them connected online. It no longer takes half an hour to start up a computer and people are not limited by problems with technology.



Rurality of our subsidies

Project Gigabit is central to rural livelihoods and rural growth, now and in the future. The programme delivers on the digital connectivity ambitions in the government's Levelling Up white paper⁷ and we work regularly with the Department for Environment, Food and Rural Affairs to support fair and equitable policy outcomes for rural areas⁸ across England, as well as devolved administrations for rural policy in Northern Ireland, Scotland and Wales.

Project Gigabit's initial contracts have been focussed on predominantly rural areas (for example in North Dorset and Cumbria), while our vouchers exclusively target rural premises outside of suppliers' commercial build plans.

Between April 2022 and March 2023, we passed 146,000 rural premises through our interventions. This means 90% of premises benefiting from our subsidies were rural, compared to 23% of premises across the UK.

Table 3: Rural premises passed (rounded to nearest 100)

Premises type	Premises passed by 31 March 2021	Premises passed between April 2021 and March 2022	Premises passed between April 2022 and March 2023	Total premises passed to March 2023
Rural premises	451,600	134,700	146,000	732,300
% of premises passed by BDUK in the period	74%	87%	90%	79%

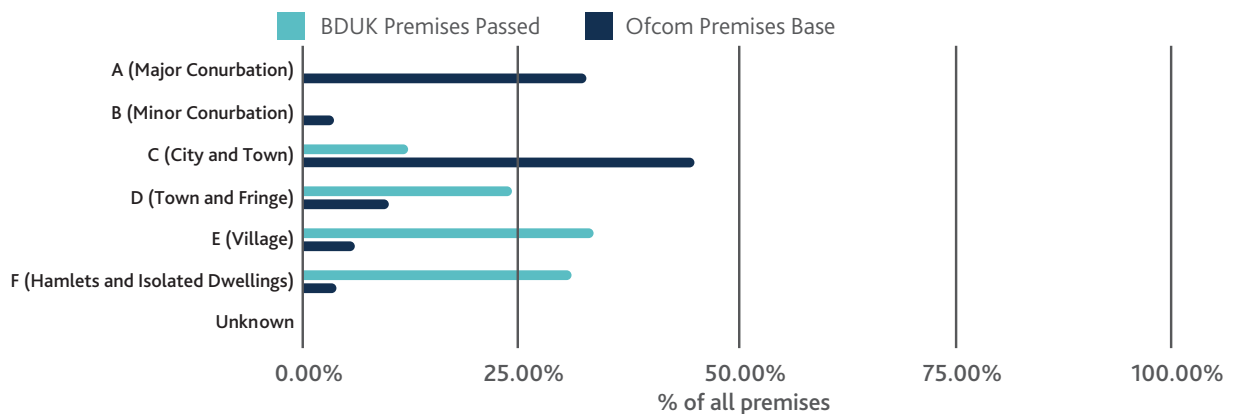
Source: BDUK Management Information as of August 2023

The proportion of our interventions used for rural premises has increased this year. Suppliers continued to build out Superfast contracts towards increasingly rural premises which made up a greater proportion of Project Gigabit's overall delivery. The vouchers scheme is, by design, targeted at rural premises only.

The distribution of interventions across rural areas in the UK in 2022 to 2023, against the proportion of premises in those areas, is available in the charts below. These charts show that while the largest proportion of UK premises are based in large towns and cities, we have predominantly provided coverage to premises in the more rural parts of the UK.

Rurality of premises passed by BDUK interventions across the nations between April 2023 and March 2023

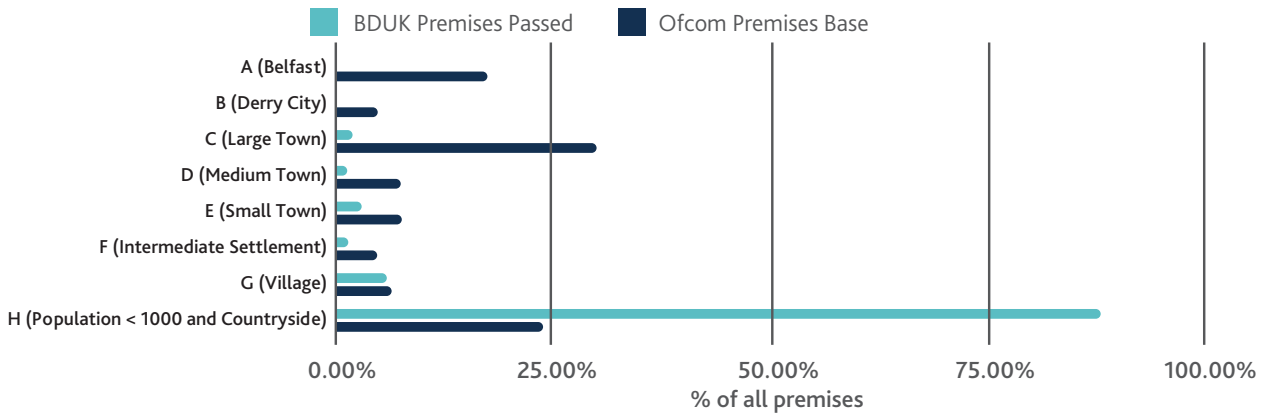
% of Premises passed in England & Wales by Urban/Rural Index, 2022 to 2023



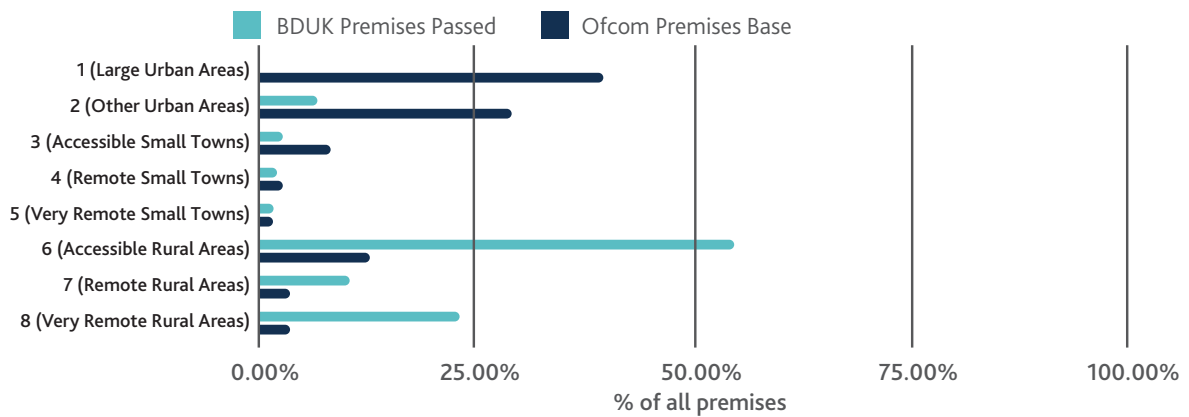
⁷ 'Levelling Up the United Kingdom', UK Government, published 2 February 2022.

⁸ 'Rural Proofing: policy paper', Department for Environment, Food and Rural Affairs, published March 2017 with latest update December 2022.

% of Premises passed in Northern Ireland by NISRA rurality class, 2022 to 2023



% of Premises passed in Scotland by Scottish Government rurality class, 2022 to 2023



Source: BDUK Management Information as of August 2023, Office for National Statistics (ONS), Northern Ireland Statistics and Research Agency (NISRA), Scottish Government

The government has identified that alternative options are likely to be required to provide connectivity to some Very Hard to Reach premises. The Digital Infrastructure team in DSIT calculate there to be approximately 100,000 rural and remote premises that will require an alternative intervention. In December 2022, the government launched an

Alpha Trials programme to deploy Low Earth Orbit satellite infrastructure for broadband provision in Very Hard to Reach areas for the first time. We will continue to work with DSIT colleagues to ensure Very Hard to Reach premises are able to benefit from improved connectivity.

Project Gigabit across the Union

Northern Ireland remains the most connected part of the Union, with almost 91% of premises able to access a gigabit-capable connection by the end of March 2023. Meanwhile, 27,600 homes and businesses in Scotland and Wales received a gigabit-capable connection thanks to our voucher scheme, as well as the Scottish Government's Reaching 100 (R100) programme and the Welsh Government's

Superfast Cymru programme continuing to roll out gigabit-capable infrastructure across the two nations. We are the lead organisation for delivering Project Gigabit contracts in England and Wales, while we work with the devolved administrations of Scotland and Northern Ireland, who manage procurements in their respective territories.

Table 4: Premises passed by nation and region (rounded to nearest 100)

Nation / Region	Premises passed by 31 March 2021	Premises passed between April 2021 and March 2022	Premises passed between April 2022 and March 2023	Total premises passed to March 2023
All UK	612,200	154,900	162,600	929,700
Scotland	32,900	6,700	18,200	57,800
Wales	84,400	13,400	9,400	107,300
Northern Ireland	32,600	32,600	40,400	105,600
England	462,300	102,200	94,500	659,000
By region				
North East	11,600	4,200	4,000	19,800
North West	37,900	4,300	4,200	46,400
Yorkshire and the Humber	47,900	7,600	4,400	59,900
East Midlands	51,300	16,100	12,100	79,500
West Midlands	46,500	6,300	9,900	62,800
East of England	86,900	25,100	16,900	128,900
London	8,600	300	300	9,200
South East	92,500	24,600	22,400	139,400
South West	79,100	13,700	20,300	113,100

Source: BDUK Management Information as of August 2023

Sub-superfast premises passed

A core part of our strategy is to ensure that some of the premises with the poorest broadband connections are among the earliest to benefit from Project Gigabit. We have a specific spending objective to prioritise sub-superfast premises for gigabit-capable connectivity where practical. A significant proportion of our subsidies are therefore aimed at premises without access to a superfast connection (<30Mbps).

In 2022 to 2023, 99,300 premises previously receiving speeds below 30 Mbps were passed by our interventions.

The majority of these were delivered through our Superfast contracts, which specifically target premises with sub-superfast connections. We have also seen vouchers continue to have an impact in these areas.

Table 5: Sub-superfast premises passed by BDUK subsidies (rounded to nearest 100)

	Premises passed by 31 March 2021	Premises passed between April 2021 to March 2022	Premises passed between April 2022 to March 2023	Total premises passed to March 2023
Premises passed by a BDUK subsidy that previously had a connection of <30 Mbps	533,400	98,700	99,300	731,400
% of premises passed by BDUK in the period	87%	64%	61%	79%

Source: BDUK Management Information as of August 2023

Note: A data tables and definitions annex supporting Project Gigabit delivery data used in this report is available online at GOV.UK.

Shared Rural Network in numbers

125 Home Office sites approved for acquisition and design by BDUK



Pilot site in Scotland made available for the first government funded mast upgrade

150 new sites deployed by mobile network operators



4G



1,500 existing sites upgraded by mobile network operators

Through the Shared Rural Network (SRN) programme, we are working with the UK's four mobile network operators (MNOs) to upgrade existing masts, as well as building new masts to cover areas with no or partial mobile connectivity.

This programme will see MNOs collectively increase 4G mobile phone coverage throughout the UK, so 95% of the UK geography will have coverage from at least one operator by the end of 2025. The programme is making progress to meet this target, and further coverage improvements in hard-to-reach areas will continue to be delivered until the start of 2027.

The Shared Rural Network will help those who live and work in rural communities to achieve their full potential through improved mobile connectivity and increased 4G mobile coverage throughout the UK.

The programme is delivered in two parts:

1. **Phase one** - The first phase will see the four MNOs collectively invest over £532 million in a shared network of new and existing phone masts. This will help tackle **Partial Not Spots**, which are areas where there is currently coverage from at least one, but not all, mobile operators.
2. **Phase two** - The second phase, running in parallel, will see the government invest over £500 million

to go even further to significantly reduce **Total Not Spots**, which are areas where there is currently no coverage from any mobile operator. As part of this government-funded element of the programme, there will be upgrades to **Extended Area Service (EAS)**⁹ masts being built as part of the Home Office's Emergency Services Network.

All the work undertaken as part of the programme is regulated by Ofcom, with regular reporting throughout the life of the programme to ensure agreed obligations and targets are met. We have worked with Ofcom and the MNOs to develop coverage obligations that reflect the government's mobile coverage ambitions and the coverage outcomes of the programme.

MNOs will be incentivised to deliver through these legally binding obligations which carry a maximum fine of up to 10% of their annual turnover if they fail to comply. Compliance with these obligations will be assessed by Ofcom in 2024, by when each operator has committed to have reached 88% geographic coverage of the UK (Partial Not Spots), and 2027 when each operator has committed to have reached at least 90% geographic coverage of the UK (Total Not Spots). Progress towards these outcomes will be published in the regular Ofcom Connected Nations reports.

Extended Area Service (EAS) sites

This year, 125 EAS sites have been approved for acquisition and design, putting them on the path to be upgraded so that all four MNOs can use them. The Master Site Sharing Agreement between the Home Office and MNOs was signed in December 2022. Following this, the first pilot site in Lockerbie went live at the start of April 2023. This is the first fully activated 4G government funded site.

Two commercial site sharing agreements which would enable upgrades on some sites were delayed following advice from the Home Office from a delivery and commercial perspective. Both site share deals have been reprofiled and we are working to conclude agreements by the end of March 2024.

Total Not Spots delivery

We oversaw work conducted by the MNOs and DMSL that focussed on finalising contracts for the acquisition, design and build of sites under the programme.

A challenge has been that the transmission and off-grid power procurements failed due to non-compliant

bids; accordingly the MNOs have reverted to a "direct award" approach with their existing transmission suppliers. DMSL and the MNOs are also revisiting their approach and strategy for off-grid power and are going to the market to seek more sustainable power solutions.

⁹. Extended Area Service (EAS) is part of the Home Office's Emergency Service Network (ESN) and will ensure coverage in the most rural and remote parts of the United Kingdom. The EAS masts built for ESN will be made available for other mobile operators to offer commercial mobile coverage under the Shared Rural Network programme.

Table 6: Mobile coverage across the UK and nations, 2020 to 2023¹⁰

	January 2020	January 2021	January 2022	January 2023
UK 4G landmass coverage	91%	91%	92%	92%
England 4G landmass coverage	97%	97%	98%	98%
Scotland 4G landmass coverage	80%	81%	82%	83%
Wales 4G landmass coverage	89%	90%	90%	91%
Northern Ireland 4G landmass coverage	97%	97%	97%	97%

Investment in our programmes

The table below shows the capital spending on our products and programmes this year with a comparison to last year.

Table 7: BDUK capital spend by product

£ million	2021 to 2022	2022 to 2023
Vouchers	35.5	39.1
Hubs	7.8	0.9
Superfast Extension	-	-
Gigabit contracts (inc. Technology)	4.6	3.0
Total Project Gigabit spend	47.9	43.0
Shared Rural Network	-	1.0
Superfast	3.6	1.4
Legacy Programmes (LFFN / RGC) ¹¹	21.8	(1.4)
Total Capital spend	73.3	44.0

Investment in Project Gigabit

Project Gigabit is a £5 billion programme, spending £43 million across all interventions in 2022 to 2023 - including our first payments to suppliers for design and build of our Gigabit contracts areas.

We have driven value for money in our Gigabit contracts this year, using the latest available supplier data to refine our intervention areas. This minimises the extent to which public money competes with commercial build plans, and can instead be focussed on the homes and businesses that need it most.

¹⁰. Source: Ofcom - Connected Nations Report, published 19 May 2023.

¹¹. In 2022 to 2023 there was a £1.4 million release of legacy RGC spend which is no longer being claimed.

Listening to the market: Essex procurement

A key aspect of our approach with Project Gigabit is to work closely with the market to ensure public subsidy is only used where it is needed. An example of how we have adapted our plans as a result of this is our market engagement in Essex, which revealed significant planned commercial deployment of gigabit-capable broadband, leaving only a limited number of disparate premises eligible for subsidy. This was positive news because it meant that more premises would be connected without the need for public subsidy, but the market also showed limited interest in bidding for what would be smaller-sized procurements in these areas. Rather than take forward a gigabit procurement, we pursued alternative interventions such as the Gigabit Broadband Voucher Scheme.

Investment in the Shared Rural Network

The total investment in the Shared Rural Network will be £1 billion (£532 million from the four mobile network operators and £500 million from the Government). Grant funding of £1 million was provided in the year to 31 March 2023, in addition £3.2 million was made available to the Home Office.

All four nations stand to benefit from coverage uplifts in 4G thanks to the Shared Rural Network, with

Scotland seeing the biggest improvements. Due to its challenging geography, Scotland currently has the lowest geographic coverage in the UK and for this reason around 75% of the government's funding for the programme will be directed at improving coverage here. The Total Not Spots part of the programme attracts funding of £301 million, all of which will be spent in Scotland, to provide coverage in areas where there are currently no operators at all.

Risks

Our delivery plan is challenging, not least as we are operating in a dynamic market environment and our programmes can be affected by macroeconomic pressures.

In 2022 to 2023, we built on the improvements we have made in risk maturity, enabling us to understand the risks we face and where we need to take action in the face of a changing risk profile.

We established an Audit and Risk Assurance Committee in line with appropriate guidelines, and a programme of internal audit has been delivered by

the Government Internal Audit Agency (GIAA) acting as internal auditors. Both the GIAA and the National Audit Office (NAO) attend the BDUK Audit and Risk Assurance Committee. More information on risk management in BDUK is covered in the Accountability Report.

The principal strategic risks we face, and the steps we have taken to mitigate against them are included in the following table. These are based on both the risks we faced during 2022 to 2023 and those we have identified in our Corporate Plan 2023 to 2026.

Table 8: Strategic risks faced by BDUK with key mitigations

Risk	Mitigations
<p>Project Gigabit supplier engagement and delivery: There is a risk that suppliers do not deliver within the timescales that are required because of insufficient market capacity, willingness or interest to enter into contract, or the possibility of supplier insolvency. This could result in missing delivery targets and reputational damage.</p>	<ul style="list-style-type: none"> We continued to use and further develop a multi-intervention strategy using various types of procurement and working with multiple suppliers. This made significant progress during the year We set-up our Gigabit contracts in order to ensure accountability for delivery is clear, and developed an approach to contract management which will work closely with suppliers and hold them to account We stress tested our delivery plans to ensure we were aware of areas for improvement

Risk	Mitigations
<p>Project Gigabit supplier engagement and delivery cont.</p>	<ul style="list-style-type: none"> • We sought and implemented opportunities to accelerate the procurement pipeline, wherever possible, to ensure delivery to target • We actively engaged suppliers through the Project Gigabit procurement and contract management processes • We maintained up-to-date knowledge of market capacity and pinch-points, to target intervention accordingly
<p>Demand-led gigabit delivery: There is a risk that we miss demand-based delivery targets and activities because suppliers are slow to complete voucher-supported builds or there is a limited appetite for vouchers.</p>	<ul style="list-style-type: none"> • We relaunched the vouchers scheme in December 2022 to enhance the offer for suppliers. This included increased voucher values and a new funding platform • We increased structured encouragement and interaction with local communities to drive demand
<p>Shared Rural Network delivery: There is a risk that the Shared Rural Network fails to reach its 95% UK coverage target by 2025 due to the complexity of delivery.</p>	<ul style="list-style-type: none"> • We continued and enhanced close partnership working with the mobile network operators to deliver clear plans for UK coverage. This included senior level engagement • We worked with our partners to improve governance and assurance processes to manage a programme where delivery responsibility is across several organisations
<p>Macroeconomic pressures: There is a risk to BDUK delivery if our suppliers (either Project Gigabit or Shared Rural Network related) face challenges due to inflation, supply chains or the wider funding environment. This could impact on the ability of BDUK to deliver within agreed funding envelopes.</p>	<ul style="list-style-type: none"> • We closely monitored supplier financial stability and delivery, and set up the mechanisms for doing so during Gigabit contract delivery • We identified the need to work with partners across government to create the best possible conditions for success • We used our multi-intervention and multi-supplier strategy to reduce the reliance on single routes to market • We developed clear and proactive contingency plans to address supplier failure events
<p>Data: There is a risk of difficulties in the acquisition, processing and analysis of key and high quality data sets, leading to the information needed being slow to be available or of poor quality. This could result in poor or slow decision making due to an insufficient evidence base.</p>	<ul style="list-style-type: none"> • We began a programme of work to implement improved data architecture • We increased and maintained the number of suppliers using the national rolling Open Market Review, our mechanism for receiving data about gigabit build plans across the UK • We built our data analysis capability to continue to improve the insight we get from data sources
<p>Planning and resources: There is a risk of not having the right resources in the right places to deliver objectives because of the continued pressure on public finances, ineffective planning processes, and difficulty in recruitment and retention.</p>	<ul style="list-style-type: none"> • We continued to make the case to maintain BDUK's funding position and investment needed to deliver • We implemented a progressive and engaging People Strategy which addresses challenges around culture, skills and retention, and helps reduce staff turnover in order to maintain expertise and grow talent • We maintained an integrated plan to ensure resources are aligned to priorities • We were proactive in our use of 'surge' capacity if needed to ensure time-limited technical areas are addressed

Performance analysis

This section provides a detailed analysis of BDUK's performance between April 2022 and March 2023.

Performance against BDUK's Corporate Plan 2022 to 2023 objectives

This section sets out BDUK's performance in 2022 to 2023 against the objectives and sub-objectives outlined in our Corporate Plan 2022 to 2023. The objectives support our mission to ensure that homes and businesses across the UK can access fast and reliable digital connectivity.

BDUK's objectives for 2022 to 2023





Reporting against all objectives and measures in the Corporate Plan

In the Corporate Plan 2022 to 2023, sitting below our five key strategic objectives, we set out specific sub-objectives, measures and milestones to achieve. This is the framework we use to analyse our performance. Included below are our results and analysis.

Results key for the tables following:

	Achieved (A) - BDUK has fully achieved the measure set out in its Corporate Plan 2022 to 2023
	Partially Achieved (PA) - BDUK has made good progress towards achieving the measure set out in its Corporate Plan 2022 to 2023
	Not Achieved (NA) - BDUK has not achieved the measure set out in its Corporate Plan 2022 to 2023

Objective 1: Deliver gigabit-capable connectivity to premises outside of commercial suppliers' plans

1.1 BDUK will deliver at least 110,000 premises passed through its subsidies. Key stakeholders including suppliers, local bodies, and other government departments will be engaged and a challenging pipeline of procurements, hubs and vouchers projects developed and implemented.

2022 to 2023 Measure	Result
Maintain a voucher, hubs, procurements and Superfast delivery pipeline. Launch and conclude procurements in line with our quarterly published pipelines to build future years' delivery.	Achieved
Ensure at least 110,000 premises are passed including: At least 75,000 premises passed with gigabit-capable connections using Superfast contracts. At least 35,000 premises passed using vouchers and hubs.	Achieved
Launch open market reviews to gather supplier data for all non-urban Phase 3 Intervention Areas in England and undertake Public Reviews with Wales and Scotland.	Achieved

Summary of performance

162,600 premises were passed by the end of March 2023. Of these, 93,500 premises were passed through Superfast and 69,000 were passed through vouchers¹², exceeding the targets set out for each product in the Corporate Plan 2022 to 2023.

We launched 19 procurements this year, with quarterly updates published to keep key stakeholders informed. We surveyed the market, launching a rolling National Open Market Review which revealed that suppliers were going even further than previously anticipated in delivering their commercial build plans. This led us to change the timings of some procurements, and in some cases relaunch a small number of procurements, to protect public money from the risk of subsidising commercial build plans.

In the devolved administrations, we identified procurement areas in Wales, the first of which was finalised and launched in summer 2023 as part of our cross-regional procurement, while the final mapping and review of eligible premises is taking place in Scotland and Northern Ireland prior to procurements starting during the course of 2023 to 2024.

Public Reviews for all areas in England and Wales were completed by the end of 2022 to 2023. The Public Review for Wales was launched in April 2022 and completed in November 2022. In Scotland, the Public Review was conducted between March 2023 and April 2023. Our National Open Market Review continues to take place every four months.

¹². Figures subject to rounding

1.2 BDUK will review and evaluate its products for efficiency and effectiveness.

2022 to 2023 Measure	Result
Perform reviews on the effectiveness and value for money of hubs and vouchers, recommending ways BDUK can improve these schemes.	Achieved
Launch the Project Gigabit evaluation programme to evaluate the long-term benefits of BDUK's gigabit-capable build.	Achieved

Summary of performance

We completed the first reviews for vouchers and hubs in Spring to Summer 2022, with their findings used to optimise these interventions. We agreed with relevant stakeholders to switch to annual reviews, meaning there was no requirement for a second review in 2022 to 2023.

This year we limited the Hubs pipeline to existing projects only due to limited evidence on the effectiveness of this intervention. We are committed

to delivering our current projects, including schools projects in collaboration with the Department for Education, but we believe our alternative interventions will provide the most effective means to meet our strategic objectives in the future. We will continue to assess the situation, conduct further evaluation of Hubs, and adapt our strategy as needed.

We have put a project plan in place for the evaluation of Project Gigabit, and outlined its scope.

Objective 2: Improve mobile internet connectivity by delivering the Shared Rural Network programme

2.1 BDUK will work in collaboration with the Home Office on delivery of the upgrade of the Extended Area Services (EAS) sites, including completing any outstanding commercial agreements and procurements, supporting supplier engagement, and proactively working together to accelerate the upgrade of EAS sites through the BDUK Gateway approval process.

2022 to 2023 Measure	Result
Sign the Master Site Sharing Agreement (MSSA) between the Home Office and the MNOs.	Achieved
Oversee the completion of the Home Office's transmission procurement. ¹³	Achieved
Make the first EAS pilot site available to the MNOs for pilot deployment.	Achieved
Agree outstanding commercial agreements to enable the MNOs to deploy kit on EAS sites (and incorporate any necessary changes into the MSSA).	Not Achieved

¹³. As part of the contract change, EE will be providing installation and a managed service for the maintenance of connectivity in areas covered by the EAS sites.

Summary of performance

The Extended Area Service (EAS) project focuses on upgrading masts used solely by the Home Office's Emergency Services Network (ESN) to enable them to be used to deliver commercial mobile coverage too.

The Master Site Sharing Agreement, a framework within which the Home Office and all four mobile network operators (MNOs) will operate to deliver the project, was signed in December 2022. The Home Office's procurement for transmission solutions was finalised in July 2022. Following this, the first pilot site in Lockerbie was made available to MNOs in February 2023, and the upgrade was completed at

the start of April 2023. It is the first of more planned mast upgrades across Scotland, to improve 4G coverage in the local area, and give customers more choice.

Two site share agreements are outstanding and need to be completed so that upgrades can be enabled on Airwave sites and S4G¹⁴ sites. Following Home Office and commercial advice, these were reprofiled in the plan and new milestones have been set for completion by the end of March 2024 and included in our Corporate Plan 2023 to 2026. The delay is not currently impacting delivery timelines.

2.2 BDUK will provide oversight and challenge to Digital Mobile Spectrum Limited (DMSL) on their delivery of the Total Not Spots part of the programme, in order to progress procurements, procurement awards, and begin site acquisition.

2022 to 2023 Measure	Result
Oversee the Acquisition, Design and Build / Managed Solution procurement award and the finalisation of the underpinning contracts.	Achieved
Oversee the transmission and off-grid power procurement award and finalisation of the underpinning contracts.	Not Achieved
Oversee the start of formal radio site acquisition	Achieved

Summary of performance

We oversaw work conducted by the MNOs and DMSL in their delivery of the Total Not Spots project. This work focussed on finalising underpinning contracts for Acquisition, Design and Build in June 2022, with the contract award notice published in July 2022, and the start of formal radio site acquisition which began in November 2022.

Unfortunately, the transmission and off-grid power procurements failed due to non-compliant bids.

The MNOs have reverted to a "direct award" approach with their existing transmission suppliers. DMSL and the MNOs are also revisiting their approach and strategy for off-grid power and are going to the market to understand the availability of sustainable products (solar, wind, biofuels) that will be environmentally greener and mitigate against the costly use of their existing generator solutions.

¹⁴. The Scottish 4G Infill Programme. These sites are being managed by WHP Telecoms and a site share deal is being negotiated to enable access and rights as part of the Shared Rural Network i.e. enabling all MNOs to deploy commercially on the sites.

Objective 3: Empower and inspire our people to perform at their best in a transformed BDUK

3.1 BDUK will strengthen its capability and capacity by recruiting roles into a Target Operating Model and retain existing expertise through better employee engagement and a commitment to the wellbeing of staff.

2022 to 2023 Measure	Result
Increase the number of people brought into roles from the Target Operating Model.	Achieved
Ensure employee engagement (as tracked in the annual Civil Service People Survey) improves in 2022 to 2023.	Not Achieved
Implement succession planning for critical roles and ensure BDUK staff have career pathways.	Achieved
Reduce turnover from 2021 to 2022 benchmark.	Not Achieved

Summary of performance

We succeeded in increasing the number of roles we brought into our Target Operating Model. As at 31 March 2023, we had 304.7 civil servants, fast streamers, Government Commercial Organisation staff and contingent labour. Recruitment has been successful in attracting skilled people to fill critical roles and the use of surge resources has also been beneficial in short term technical areas. This is despite our staff turnover increasing from 16% to 22.2%, which follows trends also seen in the rest of government. We are working with our new sponsor department, DSIT, on addressing this, including through making our middle management grades more open for progression.

Our employee engagement score in our first year as an executive agency was 66%, as measured by the 2022 to 2023 Civil Service People Survey. This is one percentage point below the score received in 2021 to 2022, but still compares favourably with

other departments, particularly given the downward trend of this metric across government¹⁵. Out of 105 organisations that partake in the survey, our 66% engagement score was in the top 40. Our response rate equated to 90% which featured in the top 10. Our other core People Survey metrics improved strongly and are detailed in the Corporate Performance section on page 37.

Succession and critical role planning discussions have taken place with the executive and senior leadership teams, and BDUK has continued to encourage staff to uptake professional training to help them manage career pathways. In the 2022 to 2023 People Survey, 85% of BDUK staff reported that they were able to access the right learning and development opportunities, up from 72% the previous year. A new approach to talent, focused on retention and upskilling existing staff, is being piloted in 2023 to 2024.

¹⁵. Engagement fell from 66% to 65% across all government departments.

3.2 BDUK will strengthen its commitment to respect, fairness and diversity and inclusion.

2022 to 2023 Measure	Result
Offer work placements through the summer diversity and autism exchange programmes.	Achieved
Deliver training to improve the culture of BDUK.	Achieved
Successfully implement hybrid working.	Achieved

Summary of performance

In Summer 2022, we took part in the Civil Service Summer Diversity Internship Programme. We were able to place an intern who worked in the Programme Management function with us for eight weeks.

Encouraging diversity: Summer Diversity Internship

During Summer 2022, we welcomed an intern to our Programme Management team. For eight weeks they were managed by one of our Product Managers, who first discussed the intern's expectations from the role and then set the framework for the internship. As well as assigning experience in operations, the Product Manager focused on developing the intern's skills and enlisted the help of colleagues across BDUK to help the intern understand how these skills could be transferable across different sectors of the civil service and into other industries. At the end of the internship, the Product Manager encouraged the intern to apply for civil service roles and gave feedback and tips on workplace behaviours and interview skills.

After analysing results from an abrasive behaviours, bullying, harassment and discrimination survey launched in Q4 2021 to 2022, we rolled out universal training to tackle workplace issues throughout 2022 to 2023, including training from the Advisory, Conciliation and Arbitration Service (ACAS). Feedback from this training indicates it has proven successful in improving BDUK's culture, with our Inclusion and Fair

Treatment scores in the 2022 to 2023 People Survey moving up from 83% in 2021 to 85% in 2022. We have committed to rolling this out to new joiners.

The majority of staff are working at least two days per week in one of our offices, with our HQ in Manchester and hubs in London, Cardiff, Darlington and Edinburgh.

3.3 BDUK will establish reporting systems for the new executive agency and set up the systems and processes it needs for operational autonomy, including:

- strengthened change governance, so change to the business is as efficient as possible
- strengthen BDUK's governance of continuous improvement activities

2022 to 2023 Measure	Result
Finalise implementation of the financial accounting system for BDUK.	Achieved
Strengthen organisational capability by implementing a full Change Initiation Gateway framework.	Achieved
Undertake a review of the Target Operating Model.	Achieved

Summary of performance

We delivered the new financial accounting system, and the BDUK Finance team is working closely with DCMS, DSIT and the NAO to ensure that we are exemplifying best practice and documenting key accounting policies and activities. The final audit of our new approach took place in Summer 2023.

We completed an annual review of our change management process, proposing changes to the terms of reference. Our governance for change and transformation now has a clearer delivery and financial control framework, allowing for better benefit realisation tracking. The changes have worked well and been received positively by our employees, with BDUK's People Survey result for Leadership and Change seeing a 10 percentage point increase in 2022 to 2023, up to 63% from 53% the previous year. 52%

of BDUK employees believe change is managed well within the organisation, up from 35% in the previous survey.

While a review of the Target Operating Model was undertaken this year, our move from DCMS to DSIT will impact the organisation and further work is ongoing to manage this change. Our Transformation and Change team is putting robust plans in place for a successful transition.

We are also developing our Target Operating Model through the lens of steady state delivery. As our major Project Gigabit intervention, Gigabit contracts, moves from procurement into management of contract delivery, our focus will need to adapt and our organisational design and functions will need to change.

Objective 4: Provide excellent financial management, supported by strong governance and risk frameworks

4.1 BDUK is an efficient organisation that protects value for money for taxpayers. We will plan and manage resource and capital expenditure to ensure that BDUK spend is within the funding available in 2022 to 2023.

We will deliver value for money through our subsidy contracts by challenging supplier data and claims, as well as interrogating pricing.

2022 to 2023 Measure	Result
Operate within delegated funding limits and in line with DCMS requirements.	Achieved
Carry out assurance assessments on all programmes.	Achieved

Summary of performance

BDUK stayed within its delegated funding limits in 2022 to 2023. We spent less than we had previously expected in the 2021 Spending Review (SR21). The tables below show further detail on the variance between our budgeted spending and outturn.

Table 9: BDUK Resource funding

	Resource DEL			
(£ million)	2022 to 2023 Budget	2022 to 2023 Supplementary Estimates	2022 to 2023 Outturn	Variance
Programme resource	40.0	36.3	34.0	(2.3)
Administration resource	1.0	–	–	–
Total resource DEL	41.0	36.3	34.0	(2.3)

Table 10: BDUK Capital funding by programme

	Capital DEL			
(£ million)	2022 to 2023 Budget	2022 to 2023 Supplementary Estimates	2022 to 2023 Outturn	Variance
Superfast	7.0	4.3	1.4	(2.9)
Project Gigabit	157.3	48.5	43.0	(5.5)
Shared Rural Network	18.3	1.2	1.0	(0.2)
Legacy Programmes	–	–	(1.4)	(1.4)
Total capital DEL	182.6	54.0	44.0	(10.0)

Notes to tables:

1. 2022 to 2023 Budget figures are based on SR21 and were included in the Corporate Plan 2022 to 2023
2. 2022 to 2023 Supplementary Estimates figures are based on the Supplementary Estimates revision during the year
3. 2022 to 2023 Outturn figures are based on actual spend
4. Variance is based on difference between Supplementary Estimates and Outturn

Supplementary Estimates

At the time the 2022 to 2023 budget was published in the Corporate Plan 2022 to 2023 a capital underspend relative to SR21 was expected. However, with adjustments only viable at Supplementary Estimates¹⁶ during the year, the SR21 budget was used. This budget was revised at Supplementary Estimates which reduced our capital budget from £183 million to £54 million. This included a return of funding to HM Treasury at Supplementary Estimates of £105 million as a result of our revised delivery profiles. Our resource budget was reduced from £41 million to £36 million.

Resource spending

We spent less on resources than budgeted due to a number of factors, including recruitment controls

during the summer resulting in both delays to recruitment and increased attrition affecting the pay outturn. Non staff related underspends included a reduction in bad debt write-offs thanks to the quicker identification of debt and recovery of debts. There were also delays in the DCMS stages of the procurement process for contracts requiring less technical consultancy support, coupled with delays in Project Gigabit contract mobilisation. Further delays will be mitigated during the transition to DSIT.

Capital spending

Capital spend was lower than budgeted primarily due to reprofiling Project Gigabit procurements to adapt to increased commercial coverage. The original budgeted figures are based on the SR21 settlement, driven by our modelling of expected delivery at the time. The continued strong performance of

¹⁶. <https://www.gov.uk/government/collections/hmt-supplementary-estimates>

the market meant that we decreased the size of the intervention areas for many procurements, and reprofiled the timings of others. In addition to this, launching our initial procurements in 2021 to 2022 later than planned had a knock on effect in 2022 to 2023, with the contract delivery only then beginning in the final quarter. As the majority of our spend is on subsidising build, and is paid only after suppliers begin work on delivering their contracts, BDUK has spent less than expected in 2022 to 2023.

BDUK's delivery is also exposed to broader market risks. These include consolidation, the availability of capital, and - in the worst case - supplier failure. We regularly review these risks and model their uncertainty and impacts as part of our internal forecasting.

The lower than budgeted spend on the Shared Rural Network is due to revisions to the delivery profile from both DMSL and the Home Office respectively. At Supplementary Estimates, £3.2 million was transferred to the Home Office and therefore removed from budgets. The remaining £14.1 million

was returned to HM Treasury at the same time, reflecting the intention to repurpose this funding into future years without impacting delivery of the programme.

We will work with delivery partners to assess Shared Rural Network forecasting assumptions in terms of stability and sensitivity, mindful of dependency on data from our partners and external risks. We have raised awareness of this through our Audit and Risk Assurance Committee and Internal Audit review for 2023 to 2024.

We continue to refresh our financial forecasts on a quarterly basis, and work with DSIT and HM Treasury to ensure our latest delivery forecasts stay fully costed.

We have assessed our assurance practices, to make sure value for money stays at the core of our programmes. Further information about our assurance activities is included in the Accountability Report.

4.2 BDUK will develop, implement and continuously improve governance, embedding best practice across the organisation.

This includes legal compliance (such as subsidy control and counter fraud), as well as building a comprehensive, efficient and effective approach to the management of risk.

2022 to 2023 Measure	Result
Establish the BDUK Board, with full permanent membership, and the BDUK Audit and Risk Assurance Committee.	Achieved
Introduce and embed a refreshed risk management framework and counter-fraud strategy for BDUK.	Achieved
Review BDUK's assurance and deliver an organisation-wide Integrated Assurance and Approvals Plan, including establishing a new internal audit function.	Achieved

Summary of performance

The BDUK Board, Audit and Risk Assurance Committee, and Finance and Commercial Boards were all in place by the end of Q2 2022 to 2023, therefore establishing the non-executive led governance for BDUK as an executive agency.

Full recruitment of non-executive directors is complete, with the new board formally taking up

their positions from 1 January 2023. The new board has proved a valuable asset for BDUK, becoming fully involved with the strategic direction of BDUK and providing scrutiny and oversight to ensure BDUK is effectively managing risk.

We introduced an updated BDUK Risk Management Framework at the end of Q2 2022 to 2023.

Several further updates to the framework were made throughout the year. Risk improvement work was validated by phase two of the Government Internal Audit Agency (GIAA) audit, which we received in April 2023.

Our Counter-Fraud Strategy was approved by the Chief Financial Officer, and a supporting action plan has now been developed. This demonstrated a step change in how BDUK considers fraud risk, and a shift in our focus from a narrow view on the BDUK vouchers product to a more holistic view across all areas of BDUK.

Internal Audit arrangements were put in place with GIAA, and new assurance processes have been implemented as a result of an assurance activities review. This was completed by the end of Q2 2022 to 2023. Further changes will be made as required on an ongoing basis. A BDUK-wide Integrated Assurance and Approvals Plan is in place and was developed in discussion with the Infrastructure and Projects Authority (IPA). This is now seen as complete, although our assurance work will always be in continuous improvement.

Further detail on governance and internal control is included in the Accountability Report.

Objective 5: Build practical digital solutions to solve BDUK's delivery challenges

5.1 BDUK will create and / or deliver digital tools and platforms to strengthen operational delivery of our subsidies. This includes the development of our platform that allows for the collection, triage, and analysis of delivery data from suppliers. This supports decision making throughout the organisation, identifying potential Intervention Areas as well as opportunities to optimise the mix of subsidies.

2022 to 2023 Measure	Result
Develop the platform that allows for the efficient collection, triage, and analysis of delivery data from suppliers.	Achieved
Strengthen digital platforms to manage the processing of payments to suppliers.	Achieved

Summary of performance

Delivery data

BDUK made substantial progress in supporting and enhancing Project Gigabit's dataflows. By uploading complex documents into the storage cloud we have been able to analyse more information and improve our subsidy, budget and intervention analysis. We aim to continually improve this delivery to make it faster, more efficient, and better integrated with key business processes.

Alongside this, we collected and triaged new datasets from suppliers. Examples include top-up values for vouchers in Scotland, and further Ready for Service data for the entire voucher programme. This new

delivery data further enhances BDUK's understanding of voucher performance.

Our new data team is key to these activities. We have enhanced our data architecture to speed up and automate data analysis. This produces important outputs such as a view of all premises in the UK and their broadband status, and cross-subsidy comparison trackers to avoid instances of double subsidy. This work automates what would otherwise be lengthy manual data manipulation, bringing improved efficiency and reliability to inform BDUK's decision making.

Funding platform

We developed, tested and launched a new funding platform to make it more efficient and straightforward for suppliers to claim and receive payments for delivery of voucher projects. Work was also underway to develop the platform to administer the Shared Rural Network grant.

The vouchers platform went live in December 2022. By the end of January 2023, 50 suppliers had been moved across to the new platform, with all suppliers following by the end of March 2023. In the same month, a comprehensive review of the funding platforms security configuration was completed to bolster platform security. Additionally, a robust architectural security review commenced in April

2023, ensuring the identification and mitigation of all potential security risks.

Access to the funding platform was temporarily suspended from 20 February 2022 until 27 February 2023 while essential maintenance work was undertaken. We suspended access after identification of an issue that required urgent resolution. The platform underwent extensive testing to mitigate the risk of future outages.

The funding platform to facilitate the administration of the Shared Rural Network grant went live in June 2023. This platform incorporates a four step process for reviewing and approving grant claims and will help ensure we meet the government's aim to reduce the risk of error in grant management.



Corporate performance

BDUK became an executive agency on 1 April 2022, and in our first year as an arm's length body we have transformed how we operate and put in place a new governance structure, including a new chair, board, and non-executive directors. In February 2023, our sponsor department changed from DCMS to DSIT as part of wider machinery of government changes.

We have managed this double transition with creativity and confidence. We have focused on building up our digital and data capabilities, in particular in improving the way BDUK ingests and analyses the data we receive from our nationwide

market survey. We have also retained and built on our existing commercial and delivery focused talent base, with over a third of the organisation undertaking professional qualifications.

People in numbers



304.7 FULL TIME EQUIVALENT (FTE) STAFF IN POST

(also includes Government Commercial Organisation, fast streamers and contingent labour) at 31 March 2023

£335K

spent on Learning and Development



Two thirds of our Learning and Development budget spent on courses that have professional qualifications attached in 2022 to 2023

including the Association for Project Management and Major Projects Leadership Academy qualifications

Across all grades and roles, our employees continue to show professionalism, efficiency and effectiveness in delivering our programmes, each playing a part in ensuring homes and businesses across the UK have access to great connectivity.

Table 11: BDUK FTE levels

	At 31 March 2023
Full Time Equivalent staff ¹⁷	304.7

While we are scaling up our programmes for delivery, we are also focused on building and retaining our talent base. To do this, we launched over 100 recruitment campaigns in 2022 to 2023 and spent £335,000 on learning and development for current employees.

The importance of data to our organisation is central. Effective and efficient data and technology processes allow us to offer better solutions for connecting premises, through harnessing the information

collected through our market surveys to ensure we are building the right areas for our interventions. In 2022 to 2023, we created five new roles in the Digital, Data and Technology function to help us use our large datasets more efficiently and effectively. Increasing the capacity of the Digital, Data and Technology function also had the benefit of allowing us to relaunch our funding platform on time, making it easier and more secure for suppliers to access payments for our subsidies.



The People Survey, conducted in Q2 2022 to 2023, acts as a benchmark across government to track our employees' experiences working at BDUK. Our overall engagement score fell by one percentage point this year, replicating a wider decrease in engagement across government. However, there were significant increases across almost every theme.

¹⁷. Includes Government Commercial Organisation, fast streamers and contingent labour.

In particular, our most significant improvements were in the following areas:

- 1. Learning and development increased from 53% to 59%.** This was largely driven by positive responses to employees being able to access the right learning and development opportunities, with employees also reporting that training undertaken in the 12 months prior to the survey has helped them to improve their performance. In 2022 to 2023, we invested £335,000 in learning and development across all functions.
- 2. Leadership and change increased from 53% to 60%.** There was a significant increase in employees feeling that change was managed well within BDUK, with this result following the introduction of our new change management

processes. The majority of our people now believe that changes made within BDUK are usually for the better.

- 3. Organisational objectives increased from 83% to 92%.** Our people's understanding of both our objectives, and how their work contributes towards them, rose significantly in this year. This follows our move to an executive agency and the publication of our first Corporate Plan, clearly setting out BDUK's objectives in detail.

In 2022 to 2023, our People Survey scores fell in questions related to pay and benefits. The biggest decline was in employees thinking they were paid adequately to reflect their performance. This metric fell across the Civil Service and is largely outside of our immediate control.

Engagement with key stakeholders

Public

BDUK has made significant progress in keeping the public up to date with our programmes. This year, we awarded eight contracts to six suppliers, and have celebrated these through media announcements. We have worked closely with all contract suppliers, supporting them with their external communications, including letters and emails to residents and businesses, websites and digital tools, posters, fliers and community presentations.

We also produced quarterly newsletters for local councils and partners, held four virtual meetings with local councils and sent regular bulletins to key stakeholders including colleagues in the devolved administrations and other government departments, to keep them up to date with BDUK news and developments.

We endeavour to respond to Freedom of Information (FOI) requests within the target of 20 working days. Our performance is measured and reported on by the Cabinet Office, as part of DCMS' performance. In 2022, DCMS responded to 69% of cases within the 20 day deadline. There was no further breakdown to measure BDUK's response rates.

Our new communications strategy has also made the documents we produce more easily accessible and understandable for readers outside government and the digital infrastructure industry. We have continued to publish quarterly Project Gigabit progress updates, enhancing these with useful infographics as well as case studies to show how our delivery is benefitting people and communities across the UK.

Parliament and local authorities

BDUK gave evidence to the Public Accounts Committee twice during the year, in June 2022 and January 2023. Actions arising from these meetings have been completed, as set out in the Treasury Minute responses published in June 2023. The next update will show that reporting on plans beyond 2025 has also now been completed, as we set these out to the committee in a letter in November 2023.

A Written Ministerial Statement is issued when we publish a Project Gigabit progress update. We proactively write to individual MPs at the point when we launch a procurement that will benefit their constituency, and again when we sign a contract. In 2022 to 2023, we hosted our first MP drop-in event in parliament, which we now offer on a quarterly basis. This has allowed MPs to raise their concerns for connectivity in their local areas, and provided a platform for us to proactively update MPs on the delivery of our programmes in their constituencies, and across the UK.

We aim to respond to correspondence from MPs and members of the public within 20 working days. We coordinate correspondence through our sponsor department; they are responsible for passing correspondence to us and supplying our responses to the relevant party. In the financial year 2022 to 2023, we received 198 items of ministerial correspondence (letters where a response was required and provided by a minister), answering 53% on time. We also received 130 items of treat official correspondence (an official replies), answering 74% on time.

Our sponsor department faced a number of challenges, including changes at ministerial level and additional work taken on during the year. This adversely affected our correspondence response rates but we are working closely with sponsorship colleagues and have developed our internal processes to improve our performance. We are moving in a positive direction by answering 88% of ministerial correspondence on time during the last quarter of the financial year.

We also regularly engage with local authorities across the UK, working with them to assist our understanding of where commercial build is unlikely to reach, as well as linking them up with our suppliers to assist in getting approvals for the necessary street works. Local and devolved administrations also work with BDUK to provide "top-ups" to our subsidies, helping them reach even further.

Suppliers

Suppliers are building the networks that we subsidise, alongside their extensive programme of commercial build plans. We hosted a "supplier day" in October 2022, providing information to suppliers about the benefits of and outlook for our contracts, and answering any questions they might have. We plan to offer these sessions on an ongoing basis.

BDUK is aligned with the government policy of building a competitive digital infrastructure market. In 2022 to 2023, we added 11 suppliers to sign up to our Dynamic Purchasing System - designed for smaller suppliers to access our local contracts, to give 20 suppliers in total on the system at the end of the year.

To improve oversight, we are also working on ways to further improve engagement with our suppliers, including our board reviewing supplier feedback.



Sustainable development report

We are committed to protect the environment and enable sustainable practices. The sub-sections below explain how we are doing this.

Greening Government Commitments 2021 to 2025

Our offices in Manchester and London are based within the DCMS estate, so we mirror the DCMS commitment to embed sustainability into our activities and work towards the Greening Government Commitments, reducing and improving the impact our operations have on the environment. This commitment includes reducing water consumption, greenhouse gas emissions and waste.

Our sustainability disclosures are included in the tables further below from page 43. This information is either derived from the BDUK accounts (for cost

of various items where BDUK pays directly for these) or apportioned costs from the DCMS accounts. For DCMS/BDUK locations, DCMS has provided measures for amounts used (e.g. distance/CO2 etc) and apportioned an appropriate percentage to BDUK.

As at the end of 2022 to 2023, our offices are still within the DCMS estate. We expect to move our London office to be part of the DSIT estate in future, mirroring commitments once this move is completed.

Sustainable Procurement

All government departments are responsible for ensuring their procurements are sustainable. Under our sponsor department, we are committed to adopting good environmental practice and ensuring that our commercial activity adds social value.

Sustainable procurement in focus: Project Gigabit

A carbon reduction plan to net zero forms a pass or fail element in the supplier selection process for our regional Gigabit contracts. The majority of our Project Gigabit contracts¹⁸ oblige our suppliers to confirm their commitment to reaching net zero by 2050, which aligns with the government's Procurement Policy Note 06/21¹⁹. This note sets out how to take account of carbon in the procurement of major central government contracts. Suppliers do this by providing their carbon reduction plan and detailing their environmental measures being undertaken.

All of our regional Gigabit contracts signed in 2022 to 2023 passed the carbon reporting selection process.

Project Gigabit has also adopted the Cabinet Office Social Value Model²⁰ which aligns with the government's Procurement Policy Note 06/20²¹. This note sets out how to take account of social value in the award of central government contracts, and notes that carbon reduction plans can be a part of social value questions determined by local councils and evaluated accordingly. In assessing suppliers' bids for our contracts, 10% of the total score is assigned to social value.

We recognise that suppliers delivering these contracts will utilise sub-contractors and we are committed to providing greater support and standardisation on environmental considerations, carbon reductions and climate adaptation matters, where relevant to telecoms.

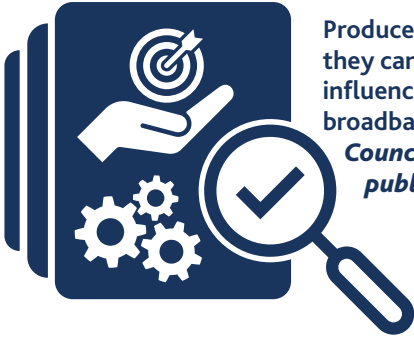
¹⁸. Contracts with a net annual value of £5 million or more.

¹⁹. Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts, updated 17 April 2023.

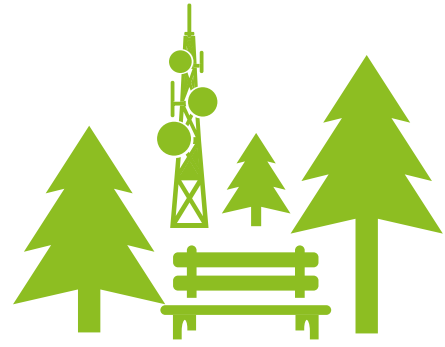
²⁰. 'The Social Value Model', published 3 December 2020.

²¹. 'Procurement Policy Note 06/20 – taking account of social value in the award of central government contracts', published 24 September 2020.

Supporting our partners



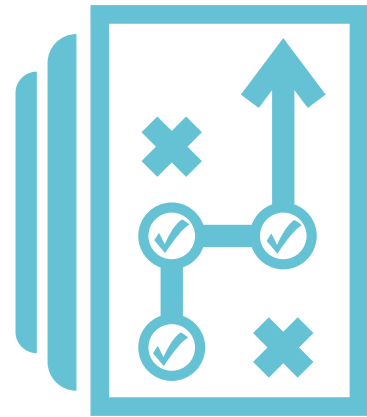
Produced a guide to advise Councillors how they can use their unique roles to support and influence timely delivery of gigabit-capable broadband, within their local areas. *The Councillor's Guide to Project Gigabit was published in Oct 2022.*



Partnered with National Parks England, Openreach and Trenches Law and developed a joint accord to create a standardised approach to timely delivery of gigabit broadband with the 10 English National Parks. *The National Parks Accord was published in January 2023.*



Collaborated with Natural England who wrote the *guidance for broadband suppliers working in protected nature sites, published in March 2023.*



Drafted a Barrier Busting Handbook that outlines common challenges to network delivery with best practice and mitigating actions. *The Barrier Busting Handbook was published in April 2023.*



Worked alongside Forestry England to agree reasonable access methodologies and terms that would not harm biodiversity, and that will eventually connect 60 remote Forestry England buildings.

Collaborated with Historic England to produce guidance for broadband suppliers to help them take into account and give early consideration to heritage assets. *The Heritage Assets Guidance was published in January 2023.*



Worked with the policy team in our sponsor department, to draft standards for barrier busting to help ensure minimal impacts on highway users and communities. *The Supplier Delivery Pledge was published in March 2023.*

Sustainable procurement in focus: Shared Rural Network

As part of the Shared Rural Network we are supporting DMSL and mobile network operators in researching and procuring sustainable power provision in very remote rural areas. We have also engaged with the Scottish Government on this matter.

Climate Change adaptation

Digitalisation plays a major role in supporting the transition to net zero.

We work closely with our sponsor department, and their Climate Adaptation and Resilience team, to understand the risks to our digital networks associated with climate change. We are also gaining crucial insight into the interdependency of telecommunications with the energy network in remote areas, and this work will continue in 2023 to 2024 and beyond.

Our first environmental evaluation of the Superfast programme will be published in 2024. As our Gigabit contracts started delivery in the second half of 2022 to 2023, we will build up increasing data as more contracts are signed and enter the delivery phase. We will measure and quantify the net impacts of our programmes, including any environmental benefits or disbenefits that may occur as a result.

In addition, BDUK continues to investigate what tools and guidance are available in relation to digital infrastructure network build. This includes understanding any implications on network delivery as part of the newly introduced Environmental Act 2021. In August 2023, we published environmental resource guidance, to provide a useful source of information for broadband suppliers and mobile operators.

We regularly share our work on Net Zero and environmental sustainability with colleagues in the

devolved administrations. We also liaise with the Department for Environment, Food and Rural Affairs on such matters in England.

The Shared Rural Network ensures that, by coming together and sharing resources, mobile network operators minimise the carbon footprint of building, operating and maintaining mobile sites. This partnership is helping remove the need for additional masts and associated energy consumption. Additionally, applications such as Google Maps use mobile coverage to improve users' ability to navigate the most efficient routes and modes of travel. They can identify a variety of public transport connections, compare travel times and cost, and provide routing advice that can take into account traffic jams. These innovations provide an example of how connectivity can impact travel in the context of better route making, congestion reduction and carbon emissions reduction.

We continue to work with stakeholders in the industry. This includes collaborating with the sector regulator, Ofcom, at least twice a year, to share our research and learnings. In 2023 to 2024, we will be participating as an observer in a newly established climate and sustainability working group, led by the industry through the Digital Connectivity Forum. The group aims to achieve greater success in reaching net zero targets and improve sustainable practices in supply chains and delivery methodologies.



Sustainable Development Goals

The Sustainable Development Goals (SDGs)²² are at the heart of the 2030 Agenda for Sustainable Development, adopted by United Nations Member States in 2015, to address the challenges related to poverty, inequality, climate change, environmental degradation, peace and justice in countries around the world. The UK was at the forefront of negotiating the SDGs with 193 UN states and has committed to contributing to them internationally and delivering them domestically by 2030.

The UK has embedded some of these SDGs into government activities, including:

- being the first parliament in the world (in 2019) to embed 100% net zero carbon emissions by 2050 into legislation
- setting an ambitious target to reach a third of this by reducing emissions to 78% by 2035, compared to 1990 levels (see Climate Change Act 2008)

²². United Nations: Department of Economic and Social Affairs: 17 Sustainable Development Goals

- the establishment of an Office for Environmental Protection in 2021, to scrutinise the government's environmental performance and to take enforcement action against Ministers, government departments and other public authorities for failures to comply with environmental law

DCMS is a department that is committed to improving the sustainability of its buildings and working practices, reducing waste and water consumption, working towards net zero targets, adopting more sustainable procurement practices and integrating sustainability

information into reporting mechanisms, and contributes to SDGs 11, 12 and 13.

The work of BDUK, to provide gigabit-capable connectivity in hard-to-reach areas will further underpin this country's growth over the coming decades, and contribute to SDGs 8 and 9.

BDUK has aligned with DCMS to continue to embed sustainability at the heart of our work and for the SDGs to guide this. It is not anticipated that SDGs 8 and 9 will alter for BDUK during our transition to DSIT.

Sustainability disclosures

The tables below include data on our sustainability and environmental impacts of our organisational operations (scope 1 and 2 emissions²³). It does not

include impacts from our programmes (scope 3 emissions - supply chain).

Table 12 - Greenhouse Gas Emissions

		2022 to 2023
Non-financial indicators (tCO₂e)	Total gross emissions	91.9
	Gross emissions Scope 1 (direct) (gas, oil & fuel)	–
	Gross emissions Scope 2 (indirect) (electricity)	41.5
	Gross emission Scope 3 (indirect) (domestic business travel)	3.1
	Gross emission Scope 3 (indirect) (international business travel)	47.4
Related energy consumption (thousand kWh)	Total energy consumption	243.9
	Electricity: non-renewable	149.5
	Electricity: renewable	–
	Gas	94.4
	LPG	–
Financial indicators (£'000)	Total expenditure	115.6
	Expenditure on energy	1.9
	CRC licence expenditure (2010 onwards)	–
	Expenditure on accredited offsets	–
	Expenditure on official business travel	113.6

²³. Refer to greenhouse gas protocols: a corporate accounting and reporting standard - revised, for further context on scope 1, 2 and 3 emissions. Figure 3 on page 26 is a useful diagram of the value chain and emissions The Greenhouse Gas Protocol.

Table 13 - Waste

		2022 to 2023
Non-financial indicators (tonnes)	Total waste	2.4
	Hazardous waste	–
	Landfill	–
	Reused/ recycled	1.6
	ICT waste recycled, reused and recovered (externally)	–
	Composted	–
	Incinerated with energy recovery	0.9
	Incinerated without energy recovery	–
Financial indicators (£'000)	Total disposal cost	0.1
	Hazardous waste	–
	Landfill	0.1
	Reused/ recycled	–
	ICT waste recycled, reused and recovered (externally)	–
	Composted	–
	Incinerated with energy recovery	–
	Incinerated without energy recovery	–

Table 14 - Finite Resource Consumption

		2022 to 2023
Non-financial indicators (‘000m³)	Total water consumption	0.3
	Water consumption (office estate)	–
	Supplied	0.3
	Abstracted	–
	per FTE	0.001
	Water consumption (non-office estate)	–
	Supplied	–
	Abstracted	–
Financial indicators (£'000)	Total water cost	–
	Water supply costs (office estate)	–
	Water supply costs (non-office estate)	–
Non-financial indicators (‘000 reams of paper)	Paper consumption - A4	–
	Paper consumption - A3	–
Financial indicators (£'000)	Paper costs	–

Notes:

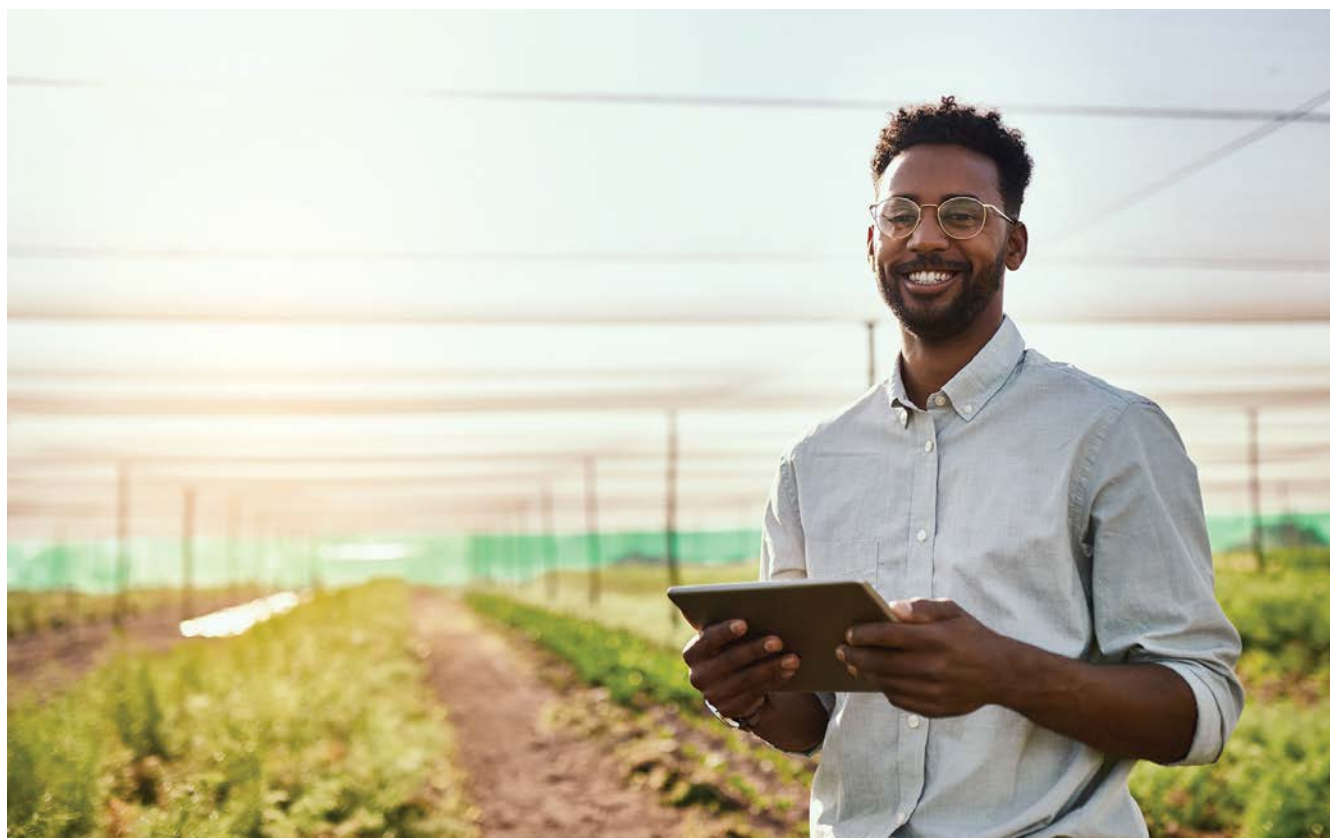
BDUK was unable to obtain water cost, paper consumption and cost figures for the current year from our landlord and office maintenance supplier. We have requested that the landlord and office maintenance supplier compile such information for the coming year so that this disclosure can be made.

Table 15 - ULEZ and Air travel

		2022 to 2023
Non-financial indicators (number of vehicles)	Total Vehicles (Owned, Hired & Leased)	–
Non-financial indicators (%)	Vehicles categorised as Ultra Low Emission Vehicles (ULEV)	–
Non-financial indicators ('000km distance)	Total: Distance travelled by international business flights	–
	Disaggregated by category	–
	Long-haul flights	–
	Short-haul flights	–
	Disaggregated by class	
	Economy	–
	Premium Economy	–
	Business	–
First	–	
Non-financial indicators (tCO2e)	Emissions from domestic business flights	1.9
Non-financial indicators ('000km distance)	Distance travelled by domestic flights	19.2
Non-financial indicators (number of flights)	Number of domestic flights	18

Notes:

BDUK had no owned/leased vehicles during the year.



Looking ahead

As we look ahead to the next financial year, we will build on our achievements and use our experience to strengthen our organisational capability and continue to deliver digital connectivity to homes and businesses across the UK.

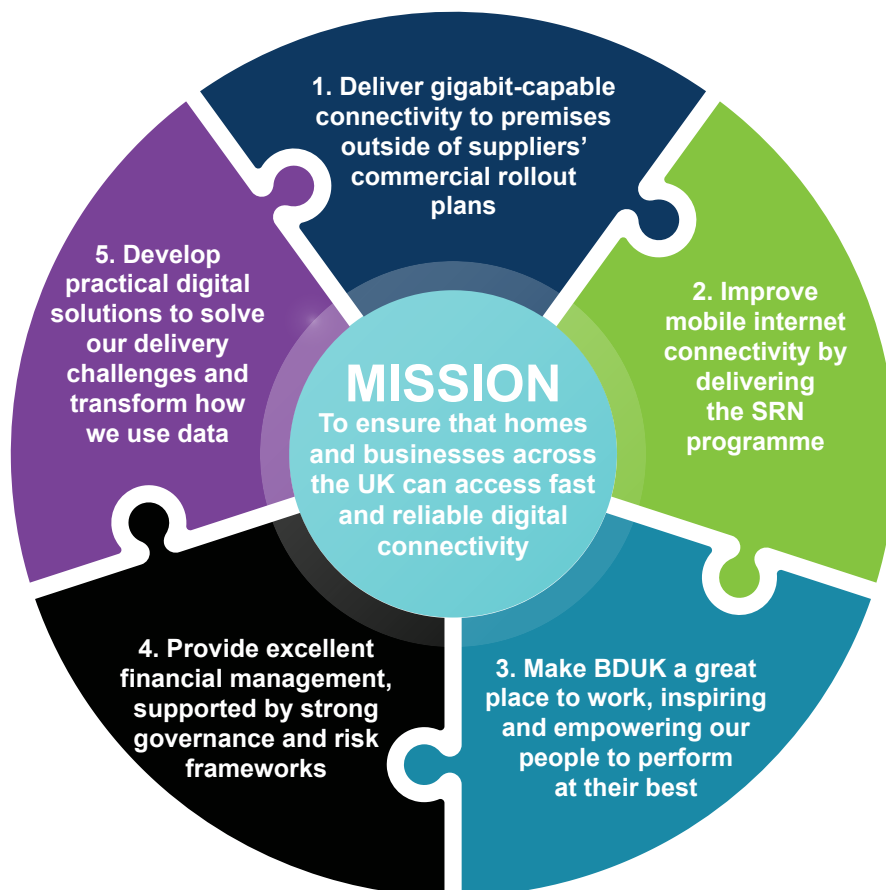
We will continue to collaborate with colleagues in DSIT to complete the transition to our new sponsor department and look to grasp the opportunities that this new relationship may bring.

Our major programmes will transition to different phases of delivery:

- for Project Gigabit, we will sign more contracts that will then move into delivery, we will aim to launch the majority of remaining procurements in England and aim to launch our first procurements in the devolved administrations
- the Shared Rural Network will transition to another phase of delivery as we will work closely with our partners to enable more 4G enabled masts to be upgraded or built. This includes working with the Home Office to upgrade Extended Area Service masts for commercial use by aiming to launch all pilot sites and ensuring planning applications are submitted for new Total Not Spot sites

To deliver our programmes we must be aware of and mitigate the challenges ahead. As well as the inherent challenges in working in a dynamic market, we must navigate the wider macroeconomic, resource and financial challenges with our partners as referenced on page 7. The business cases for all major infrastructure projects continue to be impacted by external risk factors that are outside of our control, including higher than expected inflation and interest rates across the entire sector. We will continue to build agility into our approach and to refresh our business cases consistent with broader government and HM Treasury processes and gateway reviews.

To support our mission, we have set out a clear path to what we want to achieve in the next three years, with five key strategic objectives for 2023 to 2026 outlined in our Corporate Plan 2023 to 2026:



These objectives are broken down into specific goals to achieve in the year ahead 2023 to 2024, which include:

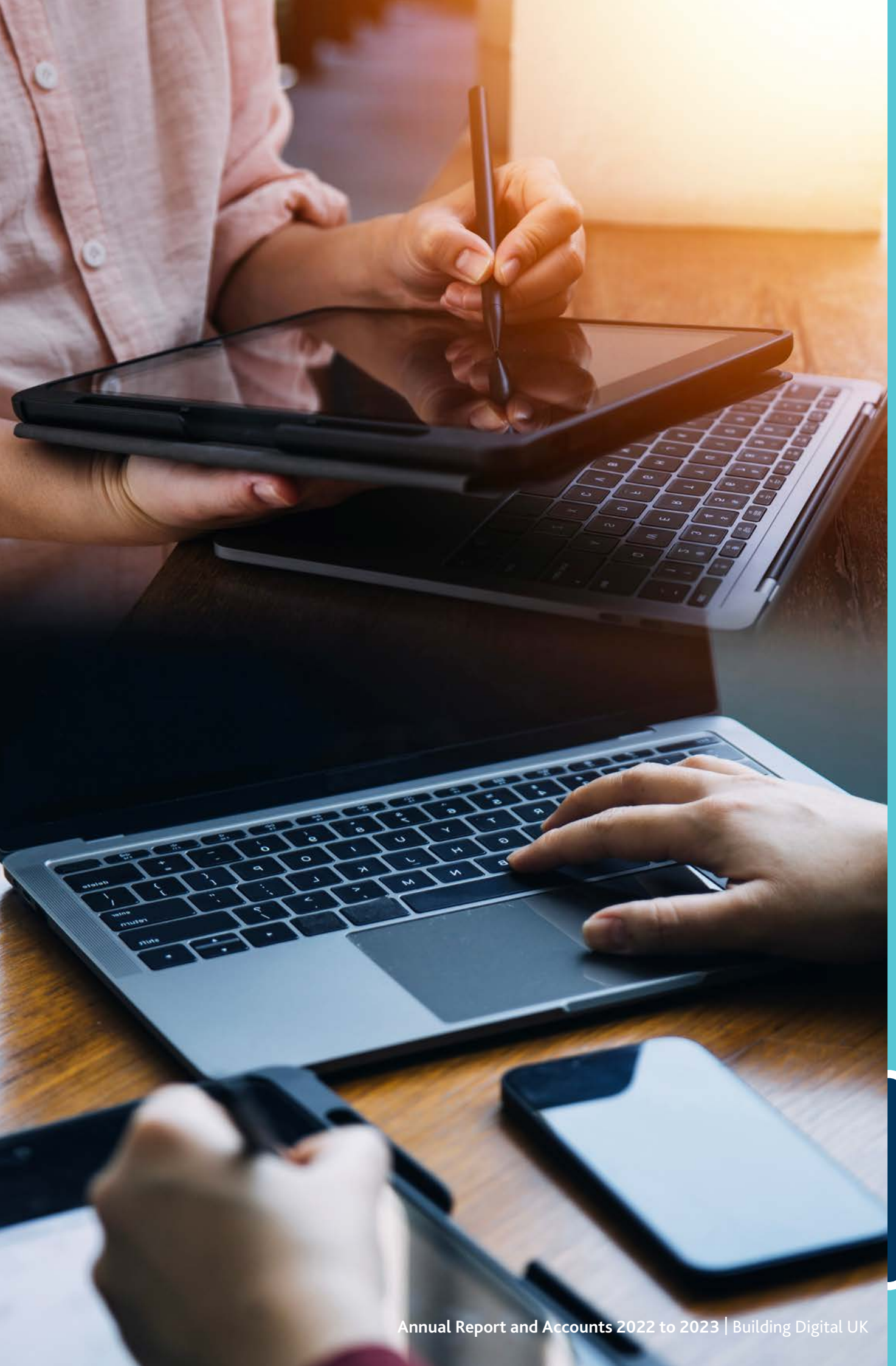
- for Project Gigabit, providing gigabit-capable connectivity to 125,000 premises
- for the Shared Rural Network, completing the build of the Funding Platform by which grants will be claimed, enabling more efficient transactions
- developing and launching a new diversity and inclusion strategy

- completing BDUK's risk improvement plan to ensure risk management maturity increases, evidenced through internal audit
- enhancing our data capability, improving data analytics to support decision-making across the organisation

While mindful of the challenges ahead, we are excited by the opportunities that the next year brings and are confident that achieving our objectives will put us in a strong position to expand delivery to reach even more people, services and communities - providing them with the vital digital connectivity they need.



Accountability Report



Corporate Governance Report

This report covers the operating period from 1 April 2022 to 31 March 2023, to the point of the signing of the Annual report and accounts by the accounting officer. It describes the composition and organisation of our governance structures and the arrangements we put in place for good corporate governance to support the delivery of our objectives.

Directors' Report

BDUK is set up as a specialist delivery organisation with a clear focus on digital infrastructure programmes. In April 2022 we were established as an executive agency of DCMS. As an arm's length body we are able to focus on delivery of our core mission and have the autonomy and scrutiny we need to make this a success. In February 2023, our sponsor department changed from DCMS to DSIT.

BDUK falls under the portfolio of the Minister of State for Media, Data, and Digital Infrastructure. For the year under review, this position was held by Julia Lopez (September 2021 to July 2022) and Matt Warman (July 2022 to September 2022). In September 2022, Julia Lopez was reappointed to this position.

We have had two chairs during the period. Lord Theodore Agnew was in place as an interim chair from April to July 2022. Simon Blagden (CBE) was appointed as permanent chair in August 2022.

The composition of the BDUK board, the terms of office of members and their current interests are below.

Executive members who served during the year were as follows:

Paul Norris joined Building Digital UK (BDUK) as Executive Chair in December 2020 and became the Chief Executive Officer (CEO) and Senior Responsible Owner (SRO) in April 2021, leading the delivery of digital infrastructure investment for DCMS. Paul's background combines private and public sector experience, working for UK Government Investments as SRO for the sale of the Green Investment Bank and for the British Business Bank as SRO for the launch of British Patient Capital.

Andrew Thomas joined Building Digital UK (BDUK) as Chief Financial Officer in January 2022 and left in December 2022, leading the finance and corporate services functions within BDUK. Andrew has a strong background of analysis, policy development, operational leadership and financial leadership developed during 18 years working at the Department for Work and Pensions.

Martyn Taylor joined BDUK in November 2021 as Chief Commercial Officer of BDUK. Prior to this, Martyn held roles as Director for Digital Identity in the Government Digital Service, interim Commercial Director at the Ministry for Housing, Communities and Local Government, and between 2017 to 2020, Director for Cross-Government Brexit Commercial Readiness.

Non-executive board members who served during the year (including terms of office) were:

Lord Theodore Agnew was in place as interim chair of BDUK from April 2022 to July 2022. Lord Agnew was Minister of State at the Cabinet Office and Her Majesty's Treasury from 14 February 2020 to 24 January 2022. He was previously Parliamentary Under Secretary of State for the School System from 28 September 2017 to 14 February 2020. Lord Agnew founded Somerton Capital LLP in 2007 and co-founded the WNS Group (a US listed company) in 1990.

Simon P. Blagden CBE was appointed as permanent chair of BDUK in August 2022. Prior to this, Simon was non-executive Chairman at Fujitsu Telecommunications UK for 14 years. Additionally, he served as CEO at Spescom, a specialist business communications technology group based in Johannesburg. He continues to serve as non-executive Chairman of management consultancy Larkspur International.

Hazel Hobbs was appointed as non-executive director in April 2022. Prior to this, Hazel was Director of Strategy at the Government Digital Service. Hazel is an Associate at Oxford Said Business School, teaching and coaching on major programmes leadership programmes for government. She is also a regular reviewer of the highest risk Government major projects for the Infrastructure and Projects Authority (IPA) and an Associate Director at Deloitte.

Steve Robertson was appointed as non-executive director in April 2022. Steve ceased to be a non-executive director at the end of 2022 and became an independent advisor to the board. Prior to this, Steve was the founding CEO of Openreach, CEO of Truphone and CEO of Thames Water. He continues to serve on the board of three businesses in the Telecoms and Technology sectors as well as acting as an advisor for Bain Consulting.

Fiona Driscoll was appointed as non-executive director in January 2023. Fiona is an experienced Independent Director, Chair, Audit Chair and Committee member including as Chair of the Wessex Academic Health Science Network, Chair of the National Cancer Research Institute (NCRI) and a Trustee and Audit Chair for King Edward VII's Hospital. She is a former Trustee and Audit Chair of Nuffield Health and a former non-executive director and Chair of Audit, Risk, Assurance & Performance for UKRI. Fiona has also carried out over 100 High Risk Reviews of HMG's most costly and complex projects for No 10, the Treasury, and the Cabinet Office. Fiona also brings an EDI lens to the boards on which she serves. She has Chaired Women on boards, The 300 Group and City Women's Network. She values and champions the benefits inclusivity can bring to individuals, organisations and society.

Stephen Unger was appointed as non-executive director in January 2023. His last full-time role was as a Board member for Ofcom, where he served as CTO, and as acting CEO. Whilst at Ofcom, he was responsible for the reset in the regulatory framework for telecommunications which has facilitated commercial investment in full-fibre networks. Before he was a regulator, he spent several years in the private sector, working on new wireless technologies. He now has a portfolio of non-executive and advisory roles in the technology sector.

Imran Shafi OBE was the Director for Digital Infrastructure for the UK Government from March 2021 to July 2023. As Director, Imran was responsible for developing the UK's telecoms strategy and policy framework. Imran was previously Private Secretary to the Prime Minister for three years. Prior to this, he worked at McKinsey & Company, HM Treasury and for the House of Commons Foreign Affairs Committee.

Jacinda Humphry is a qualified accountant and an experienced government Finance Director, with an extensive portfolio of operational and programme delivery experience at Executive Board level. Jacinda previously held FD roles in DWP and DCLG (now DLUHC). She was an independent member of the HM Treasury Audit and Risk Committee. Before becoming a Finance Director, Jacinda undertook a range of strategy, policy and delivery roles within government, including delivering service transformation in working age benefits in DWP and establishing a partnership framework to drive operational performance in Jobcentre Plus.



Register of Interests and Related Disclosures

All staff must comply with the Civil Service Code and standards of conduct. Any outside employment, business interests and financial interests or political activities must be declared and approved. BDUK's non-executive members are required to provide declarations of private, professional and commercial

interests, which are maintained on a register of interests. At each board meeting the members are reminded to declare any potential conflict of interest in the business of the meeting. Registers of interest are available on our website.

Statement of Accounting Officer's Responsibilities

BDUK is required to prepare, for each financial year, resource accounts detailing the resources it has acquired, held or disposed of during the year and the resources it has used during the year. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of BDUK and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclosed and explained any material departures in the resource accounts
- prepare the resource accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

The Secretary of State appointed me as Accounting Officer for BDUK in September 2023. The responsibilities of an accounting officer are set out in Managing Public Money issued by HM Treasury. They include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding BDUK's assets. During the operating year to 31 March 2023, the BDUK Accounting Officer has been accountable to the Secretary of State and the Permanent Secretary of DCMS as its Accounting Officer in respect of responsibility for maintaining sound systems of governance, risk management and internal control for BDUK.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that BDUK's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



A handwritten signature in black ink, appearing to read 'D. Creamer', written over a light blue horizontal line.

Dean Creamer CBE
BDUK Chief Executive Officer

Friday 17th November 2023

Governance Statement

As Chief Executive and Accounting Officer, I am required to produce an annual governance statement. The Secretary of State appointed me as Accounting Officer for BDUK in September 2023, therefore outside the reporting period for these accounts. I have signed this statement, and Annual Report and Accounts, after receiving assurance from the previous Accounting Officer (and my senior team as appropriate) that there are no additional material or ongoing issues affecting BDUK that I should declare within this statement.

BDUK Governance Statement Headlines

2022 to 2023 was BDUK's first year as an executive agency. During the year an important management focus was on establishing the core governance and internal control foundations needed to operate as a stand alone entity. This was achieved and, although we are still maturing many of these functions, we have made good progress as evidenced by internal audit and our own reviews against Government functional standards and other commitments.

Becoming an executive agency independent of the department has meant we have needed to ensure we are rigorous in our internal control and governance. Our non-executive level governance is up and running, is proportionate to the risks we face and is operating well, as demonstrated by the Government Internal Audit Agency (GIAA) governance audit undertaken during the year. Our governance is underpinned by a clear structure and scheme of delegation.

Risk management processes have also been established and the major risks we face are discussed at every meeting of the BDUK Board. We are building a strong risk management culture and take decisions which are aligned with our appetite for risk.

This year has not been without challenges and these have tested our system of internal control. For example, the development and deployment of our new funding platform for the Gigabit Broadband Voucher Scheme faced teething problems that needed management focus and attention, and highlighted areas of control weakness that we addressed effectively and efficiently.

Looking ahead we will continue to evolve and improve our system of internal control. As we move from the procurement phase to delivery phase of Project Gigabit it will be essential that we have sufficient oversight and control, and test this through three lines of defence. We will also strengthen our oversight of the Shared Rural Network through our grant management, and closely manage risks across BDUK.

Corporate Governance

As of 1 April 2022 BDUK became an executive agency under the sponsorship of DCMS, and is therefore not a separate legal entity. Executive agencies allow the delivery of executive functions of government to be carried out separately from – but within a policy and resources framework set by – a primarily policy focused department.

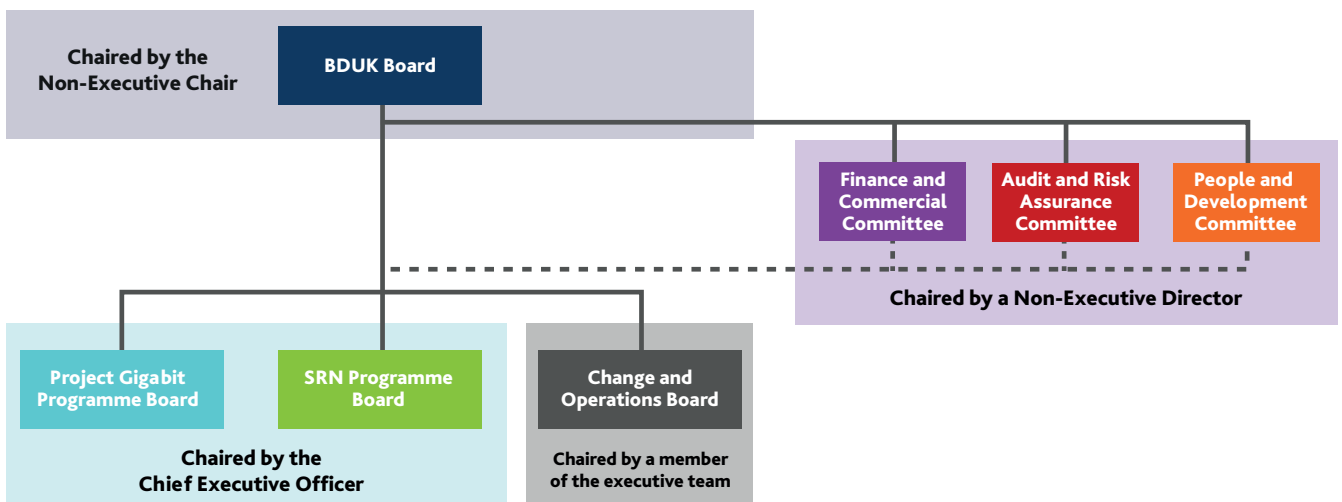
BDUK's governance structure has been designed to fulfil effective decision making around the delivery of BDUK's digital infrastructure programmes, Project Gigabit and the Shared Rural Network, and for the effective management and oversight of the organisation.

BDUK is accountable to Parliament for the funds it expends through our parent department, DCMS. BDUK's working relationship and lines of accountability with DCMS are defined in its Framework Agreement, the Corporate Plan, Allocation Letter(s) and Letter(s) of Delegated Authority made to the Chief Executive as Accounting Officer. These documents are subject to periodic review. BDUK is also held to account through regular performance reviews with our DCMS sponsor team and DCMS corporate governance. These reviews help ensure active

engagement and a transparent relationship with our parent department. Machinery of Government changes meant that from April 2023 sponsorship of BDUK moved from DCMS to the new Department for Science Innovation and Technology (DSIT).

BDUK High Level Governance

As a new organisation that became operational on 1 April 2022 there was much to do during 2022 to 2023 to set up new systems and processes and develop a framework for corporate governance and control which supports robust oversight, and also allows the organisation to adapt to changes in the external environment.



The BDUK Board

The BDUK board is an advisory board and its role is to advise Ministers on the strategic direction of BDUK, and provide guidance and challenge to the Chief Executive and the executive team on the operation and development of BDUK and the delivery of its programmes. The board fulfils this role using the benefit of members' collective experience through advice and constructive challenge. The board regularly discusses reports provided by BDUK and features key discussions on programme delivery and risk.

The BDUK board comprises the following members:

- BDUK Chair (non-executive)
- Three non-executive directors
- BDUK Chief Executive
- BDUK Chief Financial Officer
- BDUK Chief Commercial Officer
- Sponsor Department Finance Director
- Sponsor Department Digital Infrastructure Director

Non-executive members are appointed by the Secretary of State and bring together a wide range of backgrounds, skills and experience. Attendance at board meetings is shown in table 16.

From April 2022 to September 2022 interim arrangements were in place which allowed BDUK to transition to an executive agency prior to appointment of the permanent Chair and non-executive directors. These interim arrangements included the appointment of an interim Chair and non-executive directors. During this time the board and its committees operated in line with the terms of reference for the permanent board.

In establishing our governance arrangements, we applied the principles of the Central Government Corporate Governance Code and we comply with the code (to the extent that it is relevant to BDUK as an executive agency).

The board had three committees, the Audit and Risk Assurance Committee (ARAC), the Finance and Commercial Committee, and the People and Development Committee. These are composed of a mixture of board members, independent members and executive members. Supporting these committees are programme boards for the Project Gigabit and Shared Rural Network Programmes and a Change and Operations board.

Audit and Risk Assurance Committee

The ARAC Committee supports the Chief Executive in their role as Accounting Officer. The Committee's functions are to ensure propriety and accountability of public funds through monitoring and promoting financial reporting and discipline, and oversight of the organisation's approach to risk management.

The Chair of the Committee is a member of, and reports to, the BDUK board. The Standing membership of the Audit Committee consists of two non-executive board members, two independent members, one DCMS appointee, the Chief Executive, the Chief Finance Officer and the Chief Commercial Officer. Meetings are attended by representatives from the GIAA and the NAO.

The ARAC regularly reviews the organisation's Risk Register, the NAO External Audit Plan and the GIAA Audit Plan, in addition to progress against actions arising from Internal Audit Reports. Key discussions in 2022 to 2023 included budget allocation, counter fraud, legal risk, capacity and capability risks, the use of data to support decision making, and progress against risk management and assurance maturity. The committee generally meets every other month. Six meetings were held during 2022 to 2023.

Finance and Commercial Committee

The Finance and Commercial Committee met twice during the year to deeply scrutinise the BDUK procurement pipeline and financial position. The Committee included representation from BDUK and DCMS finance and commercial teams.

People and Development Committee

The People and Development Committee met for the first time on 27 March 2023 to advise the BDUK Board on how best to optimise the engagement, productivity and impact of its workforce.



Building Digital UK

Table 16: Attendance for financial period 1st April 2022 to 31st March 2023

Various individuals were not in position for the full year, this is demonstrated by only showing the total number of meetings they were eligible to attend.

BDUK Board attendance (a total of 10 board meetings were held between 1st April 2022 to 31st March 2023)

Non-executive board and independent members		
Name	Role	Meetings eligible to attend
Lord Theodore Agnew	Chair	4/4
Simon Blagden CBE	Chair	6/6
Hazel Hobbs	NED	8/10
Steve Robertson	Interim NED and board independent advisor	8/10
Fiona Driscoll	NED	3/3
Stephen Unger	NED	3/3
Executive Members		
Name	Role	Meetings eligible to attend
Paul Norris	CEO	10/10
Andrew Thomas (vacant from January 2023 to June 2023) ²⁴	CFO	7/7
Martyn Taylor	CCO	8/10
Imran Shafi (or delegate)	Director for Digital Infrastructure	10/10
Jacinda Humphry (or delegate)	DCMS Finance & Commercial Director	10/10

Audit and Risk Assurance Committee attendance

Non-Executive board and independent members		
Name	Role	Meetings eligible to attend
Hazel Hobbs	NED	6/6
Steve Robertson	Board independent advisor	4/6
Anna Caffyn	Group Finance Director - HMT	5/6
Meirion Nelson	DCMS Deputy Director Finance Business Partnering	6/6
Daron Walker	Director of Smart Metering and NZBI Delivery Portfolio - DESNZ	5/6
Fiona Driscoll	NED	1/2

²⁴ Jonathan Clear joined BDUK as the Chief financial and operating officer on 1st June 2023.

Audit and Risk Assurance Committee attendance cont.

Executive Members		
Name	Role	Meetings eligible to attend
Andrew Thomas	CFO	4/4
Martyn Taylor	CCO	4/6
Paul Norris	CEO	6/6

People and Development Committee attendance

Non-Executive board and independent members		
Name	Role	Meetings eligible to attend
Stephen Unger	NED	1/1
Neil Wooding	Independent member	1/1
Simon Blagden CBE	Chair	0/1
Executive Members		
Name	Role	Meetings eligible to attend
Paul Norris	CEO	1/1
Martyn Taylor	CCO	1/1

Finance and Commercial Committee attendance

Non-Executive board and independent members		
Name	Role	Meetings eligible to attend
Steve Robertson	Board independent advisor	2/3
Fiona Driscoll	NED	1/1
Marc Bryant	DCMS Chief Commercial Officer	3/3
Jacinda Humphry or delegate	DCMS Finance & Commercial Director	3/3
Laura Battisegola	Deputy Director for Commercial	3/3
Debbie Asbury	Deputy Director for HR and Finance	1/3
Executive Members		
Name	Role	Meetings eligible to attend
Andrew Thomas	CFO	2/2
Martyn Taylor	CCO	2/3
Paul Norris	CEO	2/3

Risk Management

The principal risks we faced during this operating year are detailed in our Performance Report. During the course of this year we have continued to focus on improving the maturity of our risk management approach to ensure we have a risk management framework which represents best practice and improves our capacity to handle the risks we face in a dynamic environment.

We established our risk management policy and framework at the end of 2021, prior to becoming an executive agency, and it is used to provide assurance to the BDUK board, Audit and Risk Assurance Committee and senior leadership that risks to achieving our objectives are being effectively identified and managed, and that those involved understand their roles and responsibilities. The framework is founded on best practice and the HMT Orange Book.

Consistent application of the policy this year has enabled, for example:

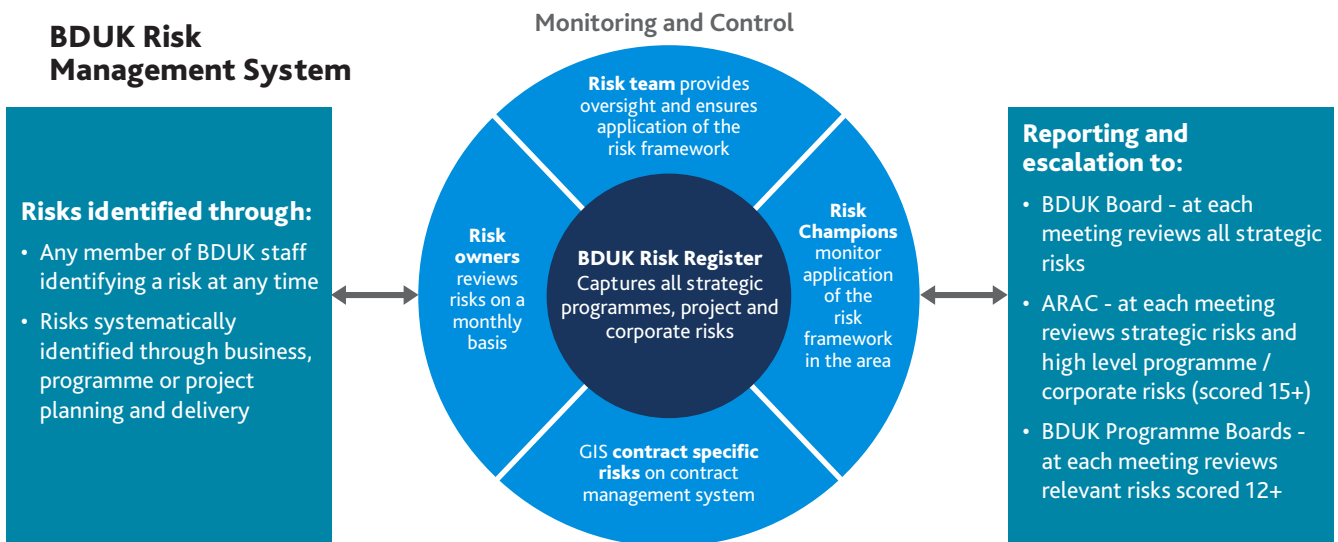
- the introduction of BDUK strategic risks, resulting in the production of a refreshed Corporate Risk Register. The risks are aligned with BDUKs strategic priorities and were approved by ARAC in April 2022. A formal review of strategic and high level corporate/ programme risks takes place as a standing item at each ARAC and BDUK board meeting. Risk Owners are required to review their risks on a monthly basis, supported and assured by the Corporate Risk Manager and/or the Risk Champion
- establishing BDUK risk appetite levels and statements which represent a consolidated view of the leadership team, and drive consistency in risk management
- a high-level focus on the corporate-level risk register and systematic risk management at different levels

across BDUK. This has identified risks which were previously managed outside the corporate approach and has ensured consistency and transparency

- capability building across a network of risk champions who understand the corporate approach in detail and share best practice to ensure that good risk management practice and processes are consistently embedded across BDUK
- the introduction of a new risk management application to provide a single repository for all risks, to improve consistency in how risks are described and reported, to enhance the way mitigating actions are recorded and monitored, to improve accountability and to provide advanced reporting functionality

An internal audit review of our risk management framework and processes provided 'moderate' assurance. This accurately represents where we are with risk management maturity after our first year as an executive agency. Improvements identified through this audit will be delivered through our risk improvement project and will include ensuring consistency in the application of our risk management framework across all parts of BDUK. This initiative will further improve the maturity of risk management in BDUK.

BDUK Risk Management System



Control Activities

Our control activities aim to ensure that the policies and procedures governing the organisation and our governance arrangements are efficient and effective.

A framework document, which was drawn up by DCMS and BDUK, sets out the broad framework within which we operate. This document is reviewed and agreed annually. It sets out our purpose, the core elements of the relationship with our sponsor government department and the governance arrangements within which we operate.

Within BDUK the core of our governance rests with our programme boards which oversee delivery of Project Gigabit and the Shared Rural Network. These programme boards undertook effectiveness reviews during 2022 and improvements have been made to how they operate and to the clarity of our scheme of delegation which supports decision making.

Functional standards

All Central Government Departments and their Arm's Length Bodies (ALBs) are mandated to embed the usage of Functional Standards. As described in the BDUK Framework Agreement formalising our transition to an executive agency, BDUK is required to carry out regular self-assessments to establish compliance, ensuring application of the Standards is proportionate in accordance with the scale and complexity of the work being done. Our self-assessment established that we are 83% fully plus 16% partially compliant against applicable mandatory elements across the suite of 14 Functional Standards, and implementation plans are in place to embed outstanding elements. Progress towards implementation will be continually reviewed, and formally assessed at the time of the next annual review taking place in 2024.

Assurance maturity and integration

Due to the stage in the lifecycle of Project Gigabit and the move of BDUK to an executive agency, during 2022 to 2023 we recognised a need to fundamentally consider the effectiveness of our assurance activities, and whether they mitigated the risks faced. We mapped stakeholders across all of our programmes, defined assurance within BDUK, and agreed changes to processes to ensure we are providing assurance to the right people, at the right time and to an appropriate level, streamlining where possible.

Assurance is aligned to the areas of most significant risk. BDUK is focussed on ensuring success in the delivery

of its programmes and projects. This means there is a preference for clarity in control, assurance, governance and accountability as well as strong oversight and reporting of progress.

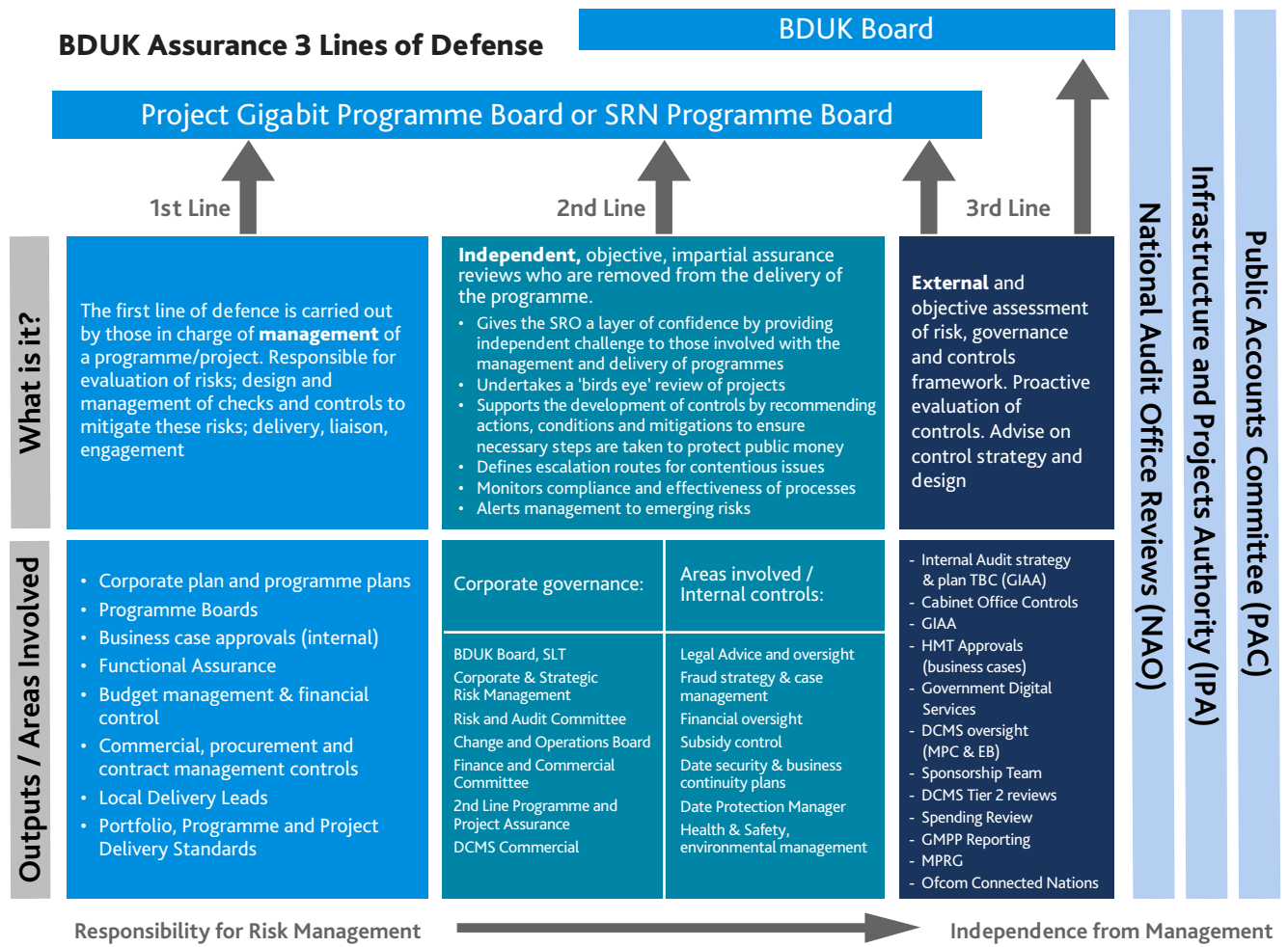
BDUK operates the three lines of defence model. This is outlined on the figure on page 60, which shows a high level map of the enterprise assurance system in BDUK. Our risk appetite indicates a level of 2nd and 3rd line assurance is needed around project delivery. However, this needs to be proportionate to the risks faced and add value to BDUK delivery. As the diagram shows, there is significant assurance provided through:

- governance in the first and second lines of defence, including programme boards and business case approvals
- commercial, procurement and contract management controls - these are substantial given the size and scale of BDUK contracts
- a process of programme and project assurance in the second line which involves a series of 'gates' which each project must pass to progress, these gates provide various checks including subsidy control and value for money
- third line assurance from Cabinet Office (including commercial controls), the Infrastructure and Project Authority, and scrutiny from the Public Accounts Committee

As a major government programme, Project Gigabit was subject to an Infrastructure and Project Authority Project Assessment Review in December 2022. The review returned an overall delivery confidence assessment of 'Amber', albeit with several areas of good practice highlighted and only three recommended improvements. The review showed a significant improvement from 2021 in terms of overall programme management and capability. Areas for improvement included having a formal learning from experience regime and ensuring an integrated plan is in place across the nations of the UK.

Subsidy Control

To ensure compliance with subsidy control regulations (now under the Subsidy Control Act 2022) we have built processes based on the successful National



Broadband Schemes approved by the European Commission in 2012 and 2016. This approach enables us to deliver digital infrastructure to UK premises which are not expected to be delivered commercially. We have applied our experience from the earlier programmes, supported by extensive evaluation work, to refine the delivery mechanism and adapt it to the specific need to deliver gigabit-capable networks. The proposed approaches have been tested with industry and are published for transparency.

Counter-Fraud and Compliance

BDUK is committed to creating a transparent environment and has a strategy, policy and action plan in place covering counter-fraud, which is a significant risk area for BDUK.

BDUK's counter-fraud control environment is managed across the three lines of defence. The finance team, commercial team, and others provide first line oversight in the prevention and detection of fraud. Any transactions that are deemed to be unusual are reported to the second line Fraud and Compliance team for investigation. The central team also carry out proactive work on fraud risk assessments and auditing fraud and error in the Gigabit Broadband Voucher scheme.

We have made a substantial investment of effort to improve counter-fraud and compliance controls during the course of this year, which has included:

1. A new programme of fraud risk assessments (FRAs) to review the effectiveness of controls in place and give a more accurate picture of the fraud risk across BDUK. These have included a high level BDUK FRA and detailed FRAs for Gigabit Broadband Voucher Scheme, GigaHubs, Shared Rural Network, Superfast contracts, Project Gigabit contracts, HR and Finance. These Fraud Risk Assessments will help to drive further proactive audit work in 2023 to 2024
2. Continued alignment with the Cabinet Office Government Functional Standard for Counter Fraud (GovS 013). This included the ratification of BDUK's first Counter Fraud Strategy, Counter Fraud, Bribery and Corruption Policy and Response Plan, and Annual Action Plan. We have also submitted four quarterly Consolidated Data Returns (CDRs) to the Cabinet Office, ensuring the inclusion of all fraud and error data beyond the voucher compliance investigations, including data from the Gigabit Broadband Voucher Scheme, GigaHubs, Shared Rural Network, Superfast contracts, Project Gigabit contracts, HR and Finance

3. Focussing on improving controls in the BDUK Gigabit Broadband Voucher Scheme (which our FRA showed was the highest risk) and began proactive sampling of the scheme for fraud and error
4. Progressing cases of suspected fraud and error through the compliance team - leading to recovery of funds or escalation as appropriate
5. Delivering a schedule of fraud awareness initiative and events across BDUK to drive awareness of fraud across our business and engage our staff in fraud prevention within their day to day roles

This year we introduced proactive auditing across our voucher scheme, this supports the team in identifying fraud and error early on and providing assurance on the effectiveness of Scheme controls. During 2022 to 2023, these audits identified 0.4% of fraud and error on our current voucher scheme, 0.2% of which was suspected fraud. Cases specifically identified as part of our audit work had a value of £5000. The main causes of fraud and error identified included:

- inconsistencies within the supplier registration process
- suppliers being unable to provide proof of address for business beneficiaries
- supplier failure to implement a change request to update voucher details to accurately reflect who resides at the premises

The above estimate is an indicator of our potential exposure to fraud and error during 2022 to 2023 as the Gigabit Broadband Voucher scheme was the main gigabit delivery vehicle in 2022 to 2023. In future years Project Gigabit contracts will represent by far the highest area of spend and we will therefore focus more attention on fraud and error in those contracts, although this is lower risk given the extensive contract management controls, processes and procedures in place.

Business Continuity and Information Security

A small number of information incidents were reported to the Audit and Risk Assurance Committee during the year. One incident was reported to the Information Commissioner's Office in relation to a security vulnerability in the new Vouchers Funding Platform. This vulnerability was uncovered and quickly corrected, and did not lead to the loss of any personal data. The ICO confirmed that they were satisfied with BDUK's actions and decided no further action was required.

We continued work to ensure BDUK complies with the UK General Data Protection Regulation 2018 and

the Data Protection Act 2018, such as developing and improving our records of processing activities, enhanced Privacy by Design controls, and rolling out targeted data protection training for high risk areas. There are procedures in place to manage the risk of protected personal data-related incidents.

We are conscious of cyber security risk and do all we can to mitigate this, working with the National Cyber Security Agency as appropriate. The war in Ukraine had an impact on BDUK due to the increased cyber security threat and as some ICT contractors were based in Ukraine. We were, however, able to work quickly and closely with partners to ensure this had no impact on the delivery of BDUK business.

During this year we identified three key risks relating to information security, and have taken steps to address them. More detailed information security risk reviews are ongoing to identify more nuanced risks and an Information Security Roadmap is in place and being continuously refined. The three priority areas for initial improvement were:

1. Identity and access management for BDUK platforms not being properly managed which risked over use of privilege and leavers not being revoked. Appropriate access management processes were put in place including migration to appropriate roles
2. Governance around information security needed to be strengthened to ensure ownership and decision making. An acting Head of Information Security was put in place and a security controls model was developed aligned to GovAssure and NCSC guidelines
3. BDUK's understanding of information security threats was minimal and this increased the exposure to security risk. Initial improvements have been made utilising NCSC Active Cyber Defence to provide Indicators of Exposure and some threat intelligence. Options for fuller visibility of Indicators of Compromise are being explored as part of the DSIT transition with possibility of BDUK adopting its own solution

Senior managers took part in a series of business continuity scenarios to test the organisation's ability to respond to a significant business continuity event. These exercises led to the updating of the business continuity plan.

Whilst the risk to business continuity from COVID-19 has reduced this year, new ways of working (such as hybrid working) do provide resilience to any future equivalent events.

Complaints

We have a formal process (published in April 2023) for complaints against BDUK in relation to the service we provide, our staff's behaviour, and whether we have followed appropriate procedures. This is separate from complaints made in relation to our specific procurements which are dealt with according to procurement processes. During the course of this year we received 14 complaints under our complaints procedure, all were addressed within 20 working days as per our procedure. Largely these complaints were addressed through providing clarification or directing to the most appropriate team for resolution. One was partially upheld, this related to our approach to making reasonable adjustments for suppliers. Our complaints process follows, and is subject to, the Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling.

Anti-bribery and anti-corruption

No cases of bribery or corruption were identified within BDUK in 2022 to 2023. We continued working with DCMS to maintain standards and implement best practice and fully adopt the DCMS policy on gifts, hospitality, bribery and corruption. The Civil Service Code (www.gov.uk/government/publications/civil-service-code) states that civil servants must not accept gifts or hospitality or receive other benefits from anyone which might reasonably be seen to compromise their personal judgement or integrity. BDUK employees are fully aware that they must not accept offers of gifts or hospitality without considering whether it would be both legal and proper to do so, and without seeking appropriate clearance if required to do so.

Whistleblowing Policy

During 2022 to 2023 BDUK adhered to the DCMS Whistleblowing Policy and made every effort to ensure that the policy and associated guidance was made available to all staff. There were no instances of whistleblowing under this policy in 2022 to 2023. Looking ahead we will be establishing our own whistleblowing and disclosure policy more directly aligned to the work of BDUK.

Financial management, systems and control

Profiled budgets form part of our annual business plans. BDUK conducts a comprehensive business planning exercise to ensure that all financial requirements are met and agreed with each budget holder ahead of formal budget delegations.

On a monthly basis, reporting is provided to the senior leadership team, the board and our sponsor department

on the financial position of the organisation for both our resource and capital programme funding. A finance assurance board is held monthly which enables senior leaders to make proactive decisions on key financial matters including risks or opportunities, in order to achieve our 1% forecasting accuracy target.

This year there were internal audits on financial controls and payment controls, with a moderate rating provided for our financial controls. These audits gave assurance that our processes are currently satisfactory, with suggested improvements quick to implement within the relevant teams.

Internal Audit

Internal audit was provided independently by the Government Internal Audit Agency (GIAA). GIAA reports annually to the Accounting Officer. The internal audit assurance programme is managed by GIAA and developed annually in consultation with BDUK and its Audit and Risk Assurance Committee.

In agreeing the 2022 to 2023 audit programme with GIAA, the following areas were considered:

- BDUK's objectives and priorities
- the key performance indicators
- risks to achievement of BDUK's objectives
- assurance map and risk register areas where the effectiveness of controls could be improved

GIAA undertook seven audits in 2022 to 2023 and one advisory report. Their reports identified a number of areas where management controls could be further strengthened. BDUK takes all audit recommendations seriously. Action plans were developed to address the findings of all audits where BDUK received, and accepted recommendations, and BDUK is committed to implementing these.

External Audit

The National Audit Office is BDUK's external auditor. The audit of the 2022 to 2023 financial statements was completed with clean opinion.

Head of Internal Audit Opinion

I am providing a **Moderate** opinion on the adequacy of the framework of governance, risk management and control within Building Digital UK (BDUK) for Financial Years (FY) 2022 to 2023.

My opinion is based primarily on the internal audit activity conducted during this period but is also informed by meetings with senior management and observations during attendance at Audit and Risk Assurance Committee (ARAC), together with my wider understanding of the control environment and our service provision to BDUK as a DCMS directorate prior to becoming a new executive agency. I have also considered the work of other assurance providers where appropriate.

BDUK was established as an executive agency of DCMS in April 2022 and so the internal audit plan has been mainly focused on key risk areas related to the governance and management of a 'new' organisation. I can confirm that the governance, risk management and control arrangements were operating adequately in most of the areas reviewed. Notable areas of good practice and improvement include:

- the progress made in the management of data within the Gigabit Programme
- key improvements within risk management
- the growing maturity of the BDUK governance framework
- actions to improve performance reporting

Areas where we have identified improvements are required include:

- weaknesses identified in respect of duplicate payment controls for the UK Gigabit Voucher Scheme.
- manual workarounds rather than consistent use of the MyHR system for workforce planning.

In line with the Moderate assurance we do not consider that the weaknesses referenced above constitute significant weaknesses to the overall framework of control. We will continue to work with management to help strengthen the control framework in these areas and others identified during our work through monitoring the implementation of our recommendations.

Darren Hall
Government Internal Audit Agency

Accounting Officer's Conclusion

As BDUK Chief Executive, I am assured that BDUK has appropriate levels of internal control and governance to manage the business, consistent with my responsibilities as the Accounting Officer.

I have been provided with evidence of: board and committee effectiveness in managing risks, finance and operational performance; the policies in place impacting on risks such as counter fraud, whistleblowing, assurance, and complaints; and the work of internal audit, which in 2022 to 2023 awarded BDUK an overall **Moderate** assurance. As a member of the BDUK Board, attendee of the Audit and Risk Assurance Committee, as well as being Chair of the Project Gigabit and Shared Rural Network Programme Boards I see first hand the evidence of effective internal controls in BDUK and also receive assurances from my executive team.

Equally, I am confident from the evidence provided by my finance team and the assurance from the external auditors that the accounts for the year ended 31 March 2023 are a true and fair reflection of the organisation and accord with Treasury guidance.

I conclude that BDUK has satisfactory governance and risk management systems in place to safeguard public money. Whilst BDUK will continue to focus on improving risk and assurance processes in the year ahead through the consistent application of our risk management framework. Delivering against these in 2023 to 2024 will enable BDUK to build upon the good progress made over the last year.



A handwritten signature in black ink, appearing to read 'D. Creamer', with a long horizontal flourish extending to the right.

Dean Creamer CBE
BDUK Chief Executive Officer

Friday 17th November 2023

Remuneration and staff report

Remuneration Policy

The Prime Minister, following independent advice from the Senior Salaries Review Body, sets the remuneration arrangements for senior civil servants.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at: <https://www.gov.uk/government/organisations/review-body-on-senior-salaries/about>

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on

merit, on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at: <https://civilservicecommission.independent.gov.uk/>



Remuneration for each director

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive Officer and directors.

Table 17: Remuneration (salary, benefits in kind and pensions – subject to audit)- Single total figure of remuneration

Executives	Salary (£'000)	Bonus payments (£'000)	Benefits in kind (to nearest £100)	Pension benefits (to nearest £1000) ²⁵	Total (£'000)
	2022 -23				
Paul Norris, Chief Executive Officer	115-120	–	–	9,000	125-130
Andrew Thomas, Chief Financial Officer to 2 January 2023	70-75 ²⁶	–	–	5,000	75-80
Martyn Taylor, Chief Commercial Officer	155-160	20-25	–	4,000	185-190 ²⁷
Jacinda Humphry, DCMS Finance Director²⁸	–	–	–	–	–
Imran Shafi, DCMS Digital Infrastructure Director²⁹	100-105	0-5	–	21,000	125-130

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK

taxation. This report is based on accrued payments made by the agency and thus recorded in these accounts. The directors did not receive any non-cash benefits during the current year.

²⁵ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum less (the contributions made by the individual)). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

²⁶ The full-time yearly equivalent is between 95-100k.

²⁷ This executive is seconded from the Government Commercial Organisation who bear his costs of employment and recharge them quarterly to BDUK. The figures disclosed above are those that have been recharged to BDUK.

²⁸ This executive is employed by DCMS and their remuneration is entirely borne by it. Their remuneration is disclosed in the DCMS accounts.

²⁹ This executive is employed by DCMS and their remuneration is entirely borne by it. They are included within the BDUK report as they have solely sat on the BDUK executive board and have not been a member of DCMS executive board.

Non-consolidated performance related pay awards (Bonuses)

The performance management and reward policy for all members of the Senior Civil Service (SCS), including board members, is managed within a central framework set by the Cabinet Office.

SCS non-consolidated pay is agreed each year following Senior Salaries Review Body recommendations, and

is expressed as a percentage of the department's total base pay for the SCS. The DCMS Senior Pay Committee is responsible for assessing the relative contribution of individual SCS members and making the final pay decisions. Non-consolidated performance pay is awarded in arrears.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the agency and treated by HMRC as a taxable emolument.

Pay multiples (subject to audit) & fair pay disclosures

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the following of the remuneration of the organisation's workforce: lower quartile, median and upper quartile.

The banded remuneration of the highest-paid director in BDUK in the financial year 2022 to 2023 was £180-185k. This was 3.70 times the median remuneration of the workforce, which was £49,223.

In 2022 to 2023, zero employees received remuneration in excess of the highest-paid director. Remuneration ranged from £24,779 to £181,246.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pension.

Percentile pay ratio

	FY 2022 to 2023
Band of highest paid Directors total remuneration (£'000)	180-185
25th percentile pay ratio	5.2
50th percentile pay ratio (Median)	3.7
75th percentile pay ratio	3.3

FY 2022 to 2023 Amounts (£'000)

	25th percentile ratio	50th percentile ratio	75th percentile ratio
Total pay and benefits (£'000)	35.0	49.2	55.7
Salary and allowance component of total pay and benefits (£'000)	35.0	48.4	55.7

Annual remuneration percentage change (subject to audit)³⁰

These are percentage changes in relation to Salary and Allowances and Performance Pay and Bonuses payable for the Highest Paid Director and the Employees taken as a whole (excluding the Highest Paid Director).

Highest paid Director

	FY 2022 to 2023
Salary and Allowances	0%
Performance Pay and Bonuses payable	0%
FTE - employees of the entity taken as a whole	
Salary and Allowances	0%
Performance Pay and Bonuses payable	0% ³¹

Non-executive board members (subject to audit)

Remuneration and full year equivalent (£'000)	
Non-executive board member	2022 to 2023
Lord Agnew, lead non-executive board member from 1 April 2022 to 31 July 2022	_ ³²
Simon Blagden, lead non-executive board member from 1 August 2022	50-55 ³³
Hazel Hobbs, non-executive board member from 1 March 2022	15-20
Steve Robertson, non-executive board member from 1 April 2022	_ ³⁴
Fiona Driscoll, non-executive board member from 1 January 2023	0-5 ³⁵
Stephen Unger, non-executive board member from 1 January 2023	0-5 ³⁵

³⁰ As this is BDUK's first year as an EA, there are no comparative figures against which these comparisons can be made

³¹ The agency has an In-year award system for delegated grades during the performance year, and the budget was fully utilised by the end of March 2023.

³² Lord Agnew undertook this post in an unpaid capacity.

³³ The full-time yearly equivalent is 80k.

³⁴ Steve Robertson undertook this post in an unpaid capacity for the last financial year.

³⁵ The full-time yearly equivalent is between 15-20K.

Pension benefits – Chief Executive and board members (subject to audit)

Executives	Accrued pension at pension age as at 31 March 2023 (£'000)	Real increase in pension and related lump sum as at pension age (£'000)	CETV at 31 March 2023 (£'000)	CETV at 31 March 2022 (£'000)	Real increase in CETV (£'000)
Paul Norris, Chief Executive	20-25	2.5-5	360	308	32
Andrew Thomas	30-35	0-2.5	379	345	3
Martyn Taylor ³⁶	–	–	–	N/A	–
Imran Shafi ²⁹	25-30	0-2.5	322	285	–
Jacinda Humphry ²⁸	–	–	–	N/A	–

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the

way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below).

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no

³⁶ Martyn Taylor is a GCO secondee. His pension details are not held by myCSP for BDUK. He is a member of the GCO pension scheme (Concord) which is treated as a Partnership pension scheme. The employer contributions paid on his behalf totalled £4,000 for the year.

automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the appointed provider - Legal & General. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

The cash equivalent transfer value (CETV)

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension

benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Compensation on early retirement/loss of office (subject to audit)

No board members or executives left under agreed terms or were paid compensation for loss of office in 2022 to 2023.

Payments to past directors (subject to audit)

No payments were made to past directors. For this financial year the only past director was Lord Agnew who served as the interim BDUK Chair from 1 April 2022 to 31 July 2022.



Staff Report

Number of Senior Civil Service staff (or equivalent, broken down by band)

The staff report provides required disclosures on staff activity, staff numbers and expenditure.

Table 18: The number of senior civil servants by £5,000 pay bands (including contract, agency staff and secondments)

Payband	Number of Staff (SCS) Headcount 31 March 2023
£70,000 - £74,999	1
£75,000- £79,999	2
£80,000 - £84,999	3
£85,000 - £89,999	1
£165,000- £169,999	1
Total	8

Table 19: Number of civil service staff (or equivalent but including contract and agency staff) by band

The grading structure of the department based on full time equivalent (FTE) staff in post. (Also includes GCO, fast streamers and Contingent labour)

Grade	FTE payroll staff at 31 March 2023
Senior Civil Service pay band 3	0.0
Senior Civil Service pay band 2	2.0
Senior Civil Service pay band 1	9.0
Grade A (Upper) (Grade 6)	33.7
Grade A (Grade 7)	112.4
Grade B (HEO/SEO)	99.0
Grade C (EO)	24.6
Grade D (AO/AA)	1.0
Other	23.0
Total	304.7

Table 20: Staff composition

The number of civil service staff (excluding GCO, fast streamers, agency and contractors) that BDUK pay for is expressed as both headcount and full time equivalent of the core department, split between male and female as at 31 March 2023.

Grade	Headcount			FTE		
	Female	Male	Total	Female	Male	Total
Exec Team	0	1	1	0.0	1.0	1.0
Other SCS	2	5	7	2.0	5.0	7.0
Grade A (Upper) (Grade 6)	13	12	25	12.8	11.9	24.7
Grade A (Grade 7)	40	44	84	39.1	43.5	82.5
Grade B (HEO/SEO)	39	47	86	39.0	47.0	86.0
Grade C (EO)	17	8	25	16.6	8.0	24.6
Grade D (AO/AA)	1	0	1	1.0	0.0	1.0
Total	112	117	229	110.5	116.4	226.8
Percentage of staff	–	–	–	49%	51%	100%

Staff loans

The agency utilised a total of 15 staff from other government departments during the year.

Table 21: Number of Loans

The grading structure of all loans:

Grade	Loan In		Loan Out	
	Six months or Less	Over six months	Six months or Less	Over six months
Senior Civil Service pay band 3	–	–	–	–
Senior Civil Service pay band 2	–	–	–	–
Senior Civil Service pay band 1	–	1	–	–
Grade A (Upper) (Grade 6)	–	1	1	–
Grade A (Grade 7)	–	3	–	–
Grade B (HEO/SEO)	–	9	1	3
Grade C (EO)	–	–	–	–
Total	–	14	2	3

No staff were redeployed on less than 6 month duration, and 15 staff were redeployed for greater than 6 months at cost of £488,772.

1 member of staff was loaned out for six months or less, and 1 over six months duration and were both paid by their home department.

Table 22: Staff numbers and related costs (subject to audit)

Staff costs and average number of full-time equivalent persons employed during the year, comprise:

	FY 2022 to 2023			
	Permanently employed staff £'000	Others £'000	Contract and agency staff £'000	Total £'000
Wages & salaries	10,337	3,847	2,382	16,566
Social security costs	1,181	20	–	1,201
Pension costs	2,646	45	–	2,691
Total costs	14,164	3,912	2,382	20,458
Less: Recoveries in respect of outward secondments	–	–	–	–
Total net costs	14,164	3,912	2,382	20,458
	FTEs	FTEs	FTEs	FTEs
Total directly employed	210	44	22	276

In addition to staff costs above, £nil was charged to capital.

Staff costs include an accrual for holiday pay in accordance with IAS 19 'Employee Benefits.' The 'Others' cost relates to a secondment without pay, the individual is on another department's payroll.

Principal Civil Service Pension Scheme (PCSPS)

'The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as "Alpha" – are unfunded multi-employer defined benefit schemes but the agency is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2022 to 2023, employers' contributions of £2,635 were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during FY 2022 to 2023 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £10k were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings.

In addition, employer contributions of £1k representing 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

No individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to zero for the agency.

Staff receivables

As at 31 March 2023, 16 employees of the agency were in receipt of advances of travel, housing or other loans which are repayable to the employer of £15k.

Sickness absence data

Average working days lost for BDUK staff during 2022 to 2023 was 6.4.

This is below the Civil Service average for average working days lost at 7.9 at 31 March 2022³⁷.

Staff turnover percentage

Staff turnover percentage (per Cabinet Office guidance)

The average turnover for 2022 to 2023 was **22.9%**

The staff turnover figure is calculated as the number of leavers within the financial year divided by the average of staff in post over the financial year. Leavers reported are aligned to Cabinet Office guidelines, therefore include retirements and resignations, but do not include transfer to another department.

Staff engagement

Employee engagement is a measure of employee commitment and motivation. It is measured through the annual Civil Service People Survey, resulting in census data for a large number of employees, and is published on GOV.UK. This year BDUK's People Survey was the first as an executive agency. The response rate was 90% with an engagement score of 66% which compares well to others across the Civil Service and continues to be strong when considering the challenging year BDUK faced running up to the survey. Data from the survey is analysed and this informs actions and initiatives at both a departmental and functional team level to make BDUK a great place to work.

Looking at the key themes coming through in our results, we have improved in nearly every area. There have been big increases in our scores for Leadership and Managing Change, and in colleagues' understanding of our Objectives and Purpose, while responses about "My Team", "My Work" and "Learning and Development" are all more favourable than last year too. However, we will continue to build on our successes and actively take action in areas that have not scored as highly to ensure that BDUK continuously improves and builds on its strengths. More detail is included in the Performance Report.

Disabled Staff policies applied during the financial year

A summary of DCMS policies regarding disabled staff is outlined below. BDUK have adopted these policies.

As part of the wider Diversity and Inclusion strategy DCMS have reviewed their recruitment approach to improve attraction and selection for disabled colleagues and taken steps to improve their experience of working at DCMS. In 2022 a review of the workplace adjustment process was launched, using both data and feedback from staff networks. In DCMS, a multi disciplinary working group has been created to overhaul the

process, resulting in an increased People Survey score for the question, 'I feel my manager supports me to ensure I have the adjustments required to reduce barriers'. All staff have access to a minimum of 5 days learning and development and are able to undertake training that will help to progress in their career. Line managers are provided with line management training and supported to ensure that they are making reasonable adjustments for individuals.

BDUK abide by the Civil Service Commission Recruitment Principles which are:

- **fair** – there should be no bias in the assessment of candidates. Selection processes must be objective, impartial and applied consistently
- **open** – job opportunities must be advertised publicly and potential candidates given reasonable access to information about the job and its requirements, and about the selection process that will be used
- **merit** – the candidate assessed as being the most able through the recruitment process (indicated by having the highest score) should be offered the role

Additionally we operate blind sifting, training for panel members, and ensure that applicants applying under the disability confidence scheme are awarded an interview if they meet the minimum criteria for the job as well as applying reasonable adjustments required to the interview process.

Bullying Harassment and Discrimination

BDUK has a zero tolerance policy towards bullying, harassment and discrimination. DCMS policies on bullying, harassment and discrimination have been adopted but BDUK. The agency has an ongoing commitment to ensure that staff are treated with dignity and respect and any concerns raised by staff are listened to and dealt with appropriately. There is an active Fair Treatment Ambassadors network and DCMS policies and guidance related to bullying, harassment and discrimination are published on the DCMS intranet which are accessible to all BDUK staff.

Trade union activity

BDUK regularly engages, negotiates and consults with national and staff trade union representatives for the Public and Commercial Services (PCS) and FDA unions through DCMS, in areas of policy, in line with our partnership agreement and actively maintains good and effective industrial relations with them. The DCMS facility time agreement currently states that representatives should spend at least 70% of their time delivering their Civil Service role and any requests

³⁷. Latest available figures from Cabinet Office at time of writing

for paid facility time must be agreed with the representative's line manager. All Trade Unions duties are recorded by the representatives and shared with the DCMS Pay, Reward and Employee Relations Team.

The Department currently has two staff union representatives for PCS and three staff union representatives for FDA, one of whom was appointed as representative in August 2022, with the rest being appointed from November 2022.

There were no trade union representatives assigned to BDUK in 2022 to 2023.

Percentage of working hours spent on facility time duties by Trade Union representatives

There were no BDUK trade union representatives assigned in 2022 to 2023.

Percentage of pay bill spent on facility time duties

As there were no BDUK trade union representatives assigned in 2022 to 2023, the percentage of pay bill spent on facility time duties is nil.

Paid trade union activities

There have been no paid trade union activities during the period 1 April 2022 to 31 March 2023 in BDUK.

Off Payroll engagements

Table 23: Off-payroll engagements as of 31 March 2023, for more than £245 per day and that last longer than 6 months

The following table summarises the situation on off-payroll engagements as at 31 March.

	31 March 2023
Number of existing arrangements as of 31 March	15
Number that have existed for less than one year at time of reporting costs	15

All existing off-payroll engagements, outlined above, have been subject to a risk-based assessment. This is to determine whether assurance is required that the individual is paying the right amount of tax and that assurance has been sought.

Table 24: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

	31 March 2023
Number of temporary off-payroll workers engaged during the year ended 31 March 2023. Of which:	23
Not subject to off-payroll legislation*	–
Subject to off-payroll legislation and determined as in-scope of IR35	21
Subject to off-payroll legislation and determined as out-of-scope of IR35	2
Number of engagements reassessed for compliance or assurance purposes during the year. Of which:	6
Number of engagements that saw a change to IR35 status following review	–

* Contingent labour workers employed by an umbrella company (as defined by HMT guidance) are automatically out of scope of IR35 and are therefore not subject to the off-payroll legislation

Table 25: Off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April and 31 March

	FY 2022 to 2023
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total number of individuals on payroll and off-payroll that have been deemed board members and/or, senior officials with significant financial responsibility, during the financial year.	5

Exit Packages (subject to audit)

The number of Special Severance Payments made by BDUK in 2022 to 2023 is nil.

Civil Service Compensation Scheme

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the agency has agreed early retirements, the additional costs are met by the group and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Business Appointment Rules

In compliance with Business Appointment rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on GOV.UK here.

In 2022 to 2023 there was 1 exit at SCS from the civil service. There was 1 BARs application assessed by the department over the year, at grade 7. There were no BARs applications where conditions were set, no applications that were found to be unsuitable for the applicant to take up, and no breaches of the Rules in the preceding year.



Diversity and Inclusion

As a public sector employer, BDUK is bound by the Equality Act 2010. BDUK supports the government's desire to have a truly diverse workforce, and a culture of openness and inclusivity, as a means of delivering better outcomes to the citizens we serve.

Fundamental to BDUK is a focus on improving the diversity of our organisation with an inclusive workplace, aligning to our sponsor department and Civil Service targets for representation. Having a diverse organisation will give us access to a greater range of talent, providing different perspectives which better reflect the communities we deliver to. BDUK Staff have had access to a wide range of staff networks that are supported by an SCS champion who provides guidance and a voice at a senior level.

Networks include:

- Ability Network (Beyond Disability)
- Ethnic Diversity Network
- Carers Network
- Direct Appointee Network
- EU Nationals Network
- Faith and Belief Network
- Fair Treatment Ambassadors
- Flexible Working and Job Share Network
- Gender Equality Network
- Grade B Network (HEO / SEO Grade equivalent)
- Grade C&D Network (AO & EO Grade equivalent)
- Green Network
- Ideas Panel Network
- LGBT+ Network
- Mental Health and Wellbeing Network
- New Joiner Network
- North Network
- Parenting Network Group
- Social Mobility Network
- South West Network
- Volunteering Network

In 2023, we will launch a new diversity and inclusion strategy which we will develop to reflect our ambitions in this area. This strategy will take into account examples of excellent practice in the field and seek to better understand and improve our diversity data and reporting. We will also engage with staff to agree priorities and measures of success to ensure we have leading practices to recruit, retain and increase representation from an even broader range of talent. We have rolled out ACAS training to all staff to improve inclusion and behaviours in the workplace. The department also reviews inclusion, based on the difference in how different communities respond to the people survey question 'My organisation is committed to creating a diverse and inclusive workplace'. Our key priorities for delivering the diversity and inclusion part of our strategy are:

1. **Promote and connect to our values and behaviours.** We will implement policies and practices, promoted and role-modelled by our leadership, that support a culture of inclusion. We aim to build on our values, ensuring new initiatives have inclusion at their heart
2. **Staff must understand their role in identifying differences in employee experience and values.** We will build our understanding and challenge our biases, and embed diversity and inclusion in our teams by investing in training and leadership capability
3. **Support for all staff through wellbeing ambassadors.** Staff networks and volunteers contribute massively to the diversity and inclusion agenda and we will support the passionate and dedicated colleagues who make this valuable contribution to BDUK
4. **Respecting differences in an inclusive environment.** We will cultivate an environment of respect where people can bring their whole selves to work with a zero tolerance policy for bullying, harassment and discrimination

Parliamentary Accountability and Audit Report

Losses and Special Payments

Regularity of expenditure (this section is subject to audit).

Table 26: Losses

	Cases	Amount £'000s
Claims abandoned	2	242

There were no individual losses in excess of £300,000 for FY 2022 to 2023. Claims abandoned relate to overpayments through the BDUK vouchers scheme which are considered inefficient to pursue or can no longer be recovered (i.e. entity has gone into liquidation).

Investigations were completed under the Gigabit Broadband Vouchers Scheme Issue Escalation Procedure which determined breaches of the scheme T&Cs had occurred. Losses relate to two investigations:

1. The first concluded that a number of the alleged beneficiaries from a supplier's work under the vouchers scheme had not received a service or the benefit of the voucher funding. Every effort was made to pursue repayment from the supplier, who had entered liquidation. The case was also referred to Action Fraud.
2. The second case concluded there were breaches of the voucher scheme T&Cs as a result of beneficiaries stating they did not claim vouchers from the supplier, the supplier refused in-person site visits and refused to cooperate. Whilst every effort was made to pursue repayment this was not possible. A referral was made to Action Fraud and the HM Insolvency Service. The Supplier has been permanently removed from BDUK's voucher scheme and is not active on any other BDUK programmes.

BDUK has since increased its proactive monitoring and audit of suppliers on the scheme to prevent similar issues from occurring. This has ensured earlier detection of potential fraud thus reducing the impacted value. More stringent control measures have been implemented in updated versions of the scheme requirements and premises are regularly site visited in-person to provide assurance that the funding has resulted in a physical delivery to premises to actual beneficiaries. Additionally, a monthly audit of vouchers is conducted to detect control weaknesses and make improvements to prevent large sums of fraud or error on the scheme.

Further controls around monitoring company statuses and recording actions taken to object dissolutions as well as training has been provided to the relevant teams.

Special and other payments

There were no special or other payments made in 2022 to 2023.

Fees and charges

In 2022 to 2023, the agency collected £15k of fee income from project application fees to the Gigabit Broadband Voucher Scheme and £63k of fee income from reimbursement of cost audits performed on behalf of the devolved administrations. The agency did not provide any other services for which it charges fees to the general public.

Remote contingent liabilities

Remote contingent liabilities arising through financial guarantees, indemnities and letters of comfort – Quantifiable

Details of contingent liabilities as defined by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' are included in the financial accounts (see note 11).

In addition, the Agency has entered into the following quantifiable indemnity. It is not a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament, details of these costs are reproduced in the table below.

	1 April 2022	Increase/ (Decrease) in year	Liabilities crystallised in year	Obligation expired in year	31 March 2023	Amount reported to Parliament by Departmental Minute
	£'000	£'000	£'000	£'000	£'000	£'000
Indemnities						
Shared Rural Network	–	15,200	–	–	15,200	15,200

Indemnities

The Shared Rural Network indemnity results from a legally binding agreement to indemnify mobile network operators (MNO), via their subsidiary, Digital Mobile Spectrum Limited in respect of costs up to £15.2m that may arise if there is a change in the operator of the Emergency Services Network (ESN). The probability of crystallisation occurring from 2024

is low, due to a possible extension of the existing ESN contract and ongoing merger discussions between MNOs. The liability will cease to exist in 2041 which marks the end of the Programme.

Contingent assets

There are no contingent assets.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of Building Digital UK for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise Building Digital UK's:

- statement of Financial Position as at 31 March 2023
- statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended
- the related notes including the significant accounting policies

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of Building Digital UK's affairs as at 31 March 2023 and its net expenditure for the year then ended
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of Building Digital UK in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Building Digital UK's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Building Digital UK's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Building Digital UK is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements

Matters on which I report by exception

In the light of the knowledge and understanding of Building Digital UK and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by Building Digital UK or returns adequate for my audit have not been received from branches not visited by my staff
- I have not received all of the information and explanations I require for my audit
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive Officer as Accounting Officer is responsible for:

- maintaining proper accounting records
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
- providing the C&AG with additional information and explanations needed for his audit
- providing the C&AG with unrestricted access to persons within Building Digital UK from whom the auditor determines it necessary to obtain audit evidence
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- assessing Building Digital UK's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Building Digital UK will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Building Digital UK's accounting policies
- inquired of management, Building Digital UK's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Building Digital UK's policies and procedures on
 - o identifying, evaluating and complying with laws and regulations
 - o detecting and responding to the risks of fraud
 - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Building Digital UK's controls relating to Building Digital UK's

compliance with the Government Resources and Accounts Act 2000 and Managing Public Money

- inquired of management, Building Digital UK's head of internal audit and those charged with governance whether:
 - o they were aware of any instances of non-compliance with laws and regulations
 - o they had knowledge of any actual, suspected, or alleged fraud
- discussed with the engagement team and the relevant internal specialists, including Information Technology, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Building Digital UK for fraud and identified the greatest potential for fraud in the

following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and fraud and error within programme expenditure. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of Building Digital UK's framework of authority and other legal and regulatory frameworks in which Building Digital UK operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Building Digital UK. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business
- in addressing the risk of fraud in revenue recognition, I selected an extended sample of revenue transactions and tested these to evidence such as cash receipts; tested the completeness of revenue; and examined revenue accrued and deferred at year end to ensure amounts are appropriately recognised in the accounts
- in addressing the risk of fraud and error within programme expenditure, I reviewed Building Digital UK's controls over: the award of supplier vouchers, grants and contracts to third parties; and measurement of fraud and error within the Gigabit Voucher scheme. I have also performed focussed sample testing to confirm the occurrence and accuracy of issued grants, vouchers and expenditure under contract and that the value of any duplicate payments, overpayments and fraud is not material. I have reviewed the assurances Building Digital UK has obtained that grants and vouchers have been used in line with Parliament's intentions.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date: 18th November 2023

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP



BDUK Financial Statements



Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

	Note	FY 2022 to 2023
		£'000
Income from contracts with customers	5.2	(78)
Grant income	5.2	(5,301)
Total operating income		(5,379)
Staff costs	3	20,458
Grants	4.1	46,590
Purchase of goods and services	4.2	12,748
Amortisation and expected credit loss adjustments	4.3	1,214
Finance cost	4.4	3
Other operating expenditure	4.4	1,740
Total operating expenditure		82,753
Net operating expenditure		77,374
Non operating expenditure		
Loss on transfer of function	15	22,053
Net expenditure for the year		99,427

All operations relate to continuing activities.

The notes on pages 92 to 105 form part of these accounts.

Statement of Financial Position as at 31 March 2023

	Note	31 March 2023
		£'000
Non-current assets		
Intangible assets	6	4,947
Total non-current assets		4,947
Current assets		
Trade and other receivables*	8	12,382
Cash and cash equivalents	9	23,974
Total current assets		36,356
Total assets		41,303
Current liabilities		
Trade and other payables	10	(21,818)
Total current liabilities		(21,818)
Total assets less total liabilities		19,485
Taxpayers' equity		
General fund	SoCTE	19,485
Total taxpayers' equity	SoCTE	19,485

* Includes expected credit loss



Dean Creamer CBE (Accounting Officer)

Friday 17th November 2023

The notes on pages 92 to 105 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2023

	Note	FY 2022 to 2023
		£'000
Cash flows from operating activities		
Net operating expenditure	SoCNE	(77,374)
Adjustments for non-cash expenditure - purchase of goods and services	4.2	95
Adjustments for non-cash expenditure - amortisation and expected credit loss adjustments	4.3	1,214
(Increase)/decrease in trade and other receivables	8	(12,426)
Movements in receivables not related to operating activities	15	25,160
Increase/(decrease) in trade payables	10	21,818
Movements in payables not related to operating activities	15	(51,063)
Net cash outflow from operating activities		(92,576)
Cash flows from investing activities		
Purchase of intangible assets	6	(2,267)
Net cash inflow/(outflow) from investing activities		(2,267)
Cash flows from financing activities		
DCMS Supply funding received in year	SoCTE	118,817
Net cash inflow from financing activities		118,817
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		23,974
Cash flow from non-financing activities		
Receipts due to the Consolidated Fund which are outside the scope of the agency's activities		34,746
Payments of amounts to the Consolidated Fund		(34,746)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		23,974
Cash and cash equivalents at the beginning of the period	9	-
Cash and cash equivalents at the end of the period	9	23,974

The notes on pages 92 to 105 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

	Note	FY 2022 to 2023	
		General fund £'000	Total taxpayers' equity £'000
Balance at 1 April 2022		-	-
DCMS Supply funding		(118,817)	(118,817)
Net expenditure for the year	SoCNE	99,427	99,427
Non-cash adjustments:			
Auditors' remuneration	4.2	(95)	(95)
Balance at 31 March 2023		(19,485)	(19,485)

The notes on pages 92 to 105 form part of these accounts.



Notes

Statement of accounting policies

1.1 Basis of Preparation

These accounts have been prepared in accordance with the 2022 to 2023 Government Financial Reporting Manual (FRoM) and Accounts Direction issued under the Government Resources and Accounts Act 2000 (GRAA 2000) by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of our business account for the purpose of giving a true and fair view has been selected. The particular policies adopted by the agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention. The financial statements have been prepared in accordance with the revised Accounts Direction issued by HM Treasury on 15 December 2022.

BDUK has historically delivered spending commitments as a directorate within DCMS. However, because of the scale and ambition of Project Gigabit, DCMS have judged that BDUK requires further expert and independent board oversight, appropriate operational autonomy and delegated authority to ensure timely and cost-effective delivery. As a result, BDUK became an executive agency on 1 April 2022, when its operational assets, liabilities and activities were transferred over from DCMS as at this date. These accounts therefore have no opening balances and there are no prior year comparatives.

1.3 Going Concern

In common with other agencies, the agency's liabilities are expected to be met by future grants of supply and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future Parliamentary approval will not be forthcoming, and therefore, in accordance with FRoM 4.2.14, it has been concluded as appropriate to adopt the going concern basis of preparation for these accounts.

1.4 Grants

Grants payable or receivable by the agency are accounted for on an accruals basis. Specific accounting treatment for the material programmes during the year are listed below:

- 1. Superfast/Gigabit Vouchers Gigabit Hubs**
Grant/voucher expenditure to suppliers is recognised when the beneficiary verifies that a connection has been made to their premises, as the supplier will have fully complied with the terms of the grant/voucher scheme at this point.
- 2. Shared Rural Network**
'Eligible Expenditure' (i.e. expenditure incurred in accordance with the grant agreement) incurred by the grant recipient by the accounting reference date are accrued in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as the agency is contractually obliged to reimburse such costs. Whilst the trigger for payment is the submission of a formal claim, monthly communication with the grant recipient allows the agency to accrue costs in the interim.

1.5 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the agency or passed legislation. By their nature they are items that ideally should not arise. These are reported in the parliamentary accountability and audit report section of the annual report and accounts.

1.6 Operating income and revenue from contracts with customers

Operating income relates to the operating activities of the agency and includes budgetary income. It is recognised in accordance with the FRoM and IFRS 15 'Revenue from contracts with customers.'

Operating income is stated net of VAT.

Grants received by entities within government
Grant funding, in respect of capital expenditure, is credited to the Statement of Comprehensive Net Expenditure (SoCNE) in the year in which the entitlement to the monies arise in accordance with the application of IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' recommended by the FRoM. This represents top-up funding received from local authorities in respect of the Gigabit voucher scheme.

1.7 Consolidated Fund Income

These amounts represent claw-backs of grants under the terms of the grant programme, where the amounts paid out have been found to have been excess of need either due to cost savings in the implementation of the scheme or installations have proved to be more commercially viable than originally anticipated.

Once the installations have completed and within the time-frames permitted by the programme, reconciliations are performed with the local authorities/ devolved authorities to confirm the amounts repayable and are invoiced. These amounts are then repaid to HMT under the terms of these programmes and represent non-budgetary income.

Although the cash payment will be in the following accounting year, the underlying economic activity will be in the present year. The agency prepares its accounts on an accruals basis, per the IASB's 'Conceptual Framework for Financial Reporting' and the FReM 2022-23 (section 4.1.3), the agency must account for both the receipt and the subsequent payment to HM Treasury in this year's financial Accounts.

1.8 Intangible non-current assets

In accordance with the FReM, all intangible assets are carried at current value in existing use. The assets in BDUK represent the development and use of products to help deliver and administer the grant and contract programmes run by the agency. Depreciated historical cost is used as a proxy for fair value on short life or low value assets, which is considered not to be materially different from fair value.

Intangible assets are amortised using the straight-line method over their expected useful life which ranges between 2 to 5 years for internally generated assets; the licence period for purchased licences; or the period of expected income streams for income generating assets.

Capitalisation thresholds

The agency's capitalisation threshold is £2,000

1.9 Impairment of non-current assets

Impairment losses that result from a clear consumption of economic benefit are taken directly to the SoCNE.

All non-current assets are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.10 Research and development

Development expenditure relating to the creation of assets to enhance and further the agency's ability to deliver its corporate objectives, is capitalised as per IAS 38 'Intangible Assets' if the following criteria are met:

- it is technically feasible to complete the intangible item so that it will be available for us
- the agency intends to complete the intangible item and use it
- there is an ability to use the intangible item
- it can be demonstrated how the development expenditure will generate future service potential
- adequate technical, financial and other resources to complete the development and to use the intangible item are available
- the expenditure attributable to the intangible item during its development can be reliably measured

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

Expenditure on research activities is recognised in the SoCNE in the period in which it is incurred.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances in non-interest-bearing accounts. We do not have any bank overdrafts.

1.12 Financial instruments

In line with the government Financial Reporting Manual adaptation of IAS 32 (*Financial Instruments: Presentation*) and IFRS 9 (Financial Instruments), we recognise financial assets and liabilities when we become party to the contracts or legislation that give rise to them. For financial assets, this includes grant overpayments.

Financial assets

Financial assets comprise trade and other receivables and cash equivalents. We initially recognise these assets on the date that they are originated and derecognise them when the contractual rights to the cash flows from the asset, expire.

Trade and other receivables are recognised initially at fair value on the date they originated. Fair value is usually at the original invoiced amount. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses.

Included within trade receivables are recoveries of grant overpayments. As part of assessing and paying grants, entities can be paid more than they are contractually entitled to under the relevant terms of the grant schemes either due to fraud or error or as a result of not needing all of the grant awarded. Where overpayments to entities are identified, and the agency has a legal right to recover the excess amount paid, the amount owed is recognised as a trade receivable.

We hold all grant overpayments to collect the cash flows due. Grant overpayments are not quoted on any active market and do not carry interest. Cash flows consist of the repayment of principal only. They are therefore measured at amortised cost, less recoveries to date, and subject to impairment for expected credit losses.

In addition to the above, there are grant overpayment balances under investigation where a receivable cannot be recognised as an identified overpayment, as it has not been properly referred for collection or the referred overpayment has not been processed and communicated to the supplier. Furthermore, the relevant processes to establish the underlying rights for the receivable are incomplete under IFRS 15 and therefore, an asset cannot be recognised.

Financial liabilities

Financial liabilities comprise trade and other payables. We recognise these liabilities initially on the trade date at which we become a party to the contractual provisions of the instrument and derecognise when our contractual obligations are discharged or cancelled or expired.

Trade and other payables are recognised initially at fair value. Fair value is usually at the original invoiced amount. Subsequently to initial recognition, they are measured at amortised cost.

1.13 Employee Benefits

In accordance with *IAS 19 'Employee Benefits'*, the agency is required to recognise short term employee benefits when an employee has rendered service in exchange for those benefits. Included in the accounts is an accrual for the outstanding employee paid holiday entitlement at the period end date.

1.14 Taxation

Value Added Tax (VAT)

VAT is paid or received in accordance with the prevalent tax rules. In general, most of the activities of the agency are outside the scope of VAT and output tax does not normally apply. Input tax is also recoverable on certain contracted-out services.

Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to non-current assets.

1.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the agency.

A contingent liability can also include an amount where a present obligation arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Where the time value of money is material, contingent liabilities are stated at discounted amounts.

1.16 Accounting estimates and judgements

Critical accounting estimates and judgements

The preparation of the agency's accounts requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditure. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Transfer of assets and liabilities from DCMS

The transfer of assets and programmes to BDUK have been assessed in accordance with the FReM and other frameworks covering all such transfers.

It can be demonstrated that a "Transfer of Function" has taken place within the DCMS departmental group and the transfer has been applied as a Transfer by Absorption, with net assets being brought onto the accounts at carrying value from the date of transfer and recognition of a non-operating gain or loss on transfer.

Valuation of non-current assets

The value of the agency's intangibles is estimated based on the period over which the assets are expected to be available for use. Such estimation is based on experience with similar assets. The estimated useful life of each asset is reviewed

periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of an asset.

For assets under construction, periodic assessments are made of the carrying value during construction to ensure that the criteria of *IAS 38 'Intangible Assets'* continue to be met and that the asset has not become obsolete or the business need for the asset has not changed, thus affecting its value.

Expected credit loss

The forward-looking impairment assessment model includes some estimates and judgements on the likelihood of default on our amortised cost assets. The quantum of these estimates and judgements is included within note 4.3.

1.17 Changes to accounting standards not yet effective

IFRS 17 Insurance Contracts

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts which replaces IFRS 4 Insurance Contracts. This is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB's decision to defer the effective date. IFRS 17 redefines what constitutes an insurance contract broadly, bringing many more situations in scope. Guidance has yet to be issued to government departments on the interpretation of this standard, with implementation for FReM bodies expected to be from 2025-26. The BDUK impact assessment exercise will be performed ahead of the implementation date.



Statement of Operating Expenditure by Operating Segment

2. Statement of Operating Expenditure by Operating Segment

The nature of the agency's activities and how they are administered means that it is not possible to provide this disclosure in accordance with IFRS 8. Its activities are almost entirely funded by Grant-in-Aid to meet its objectives to meet the Government's pledges on

broadband and digital connectivity. This is used in the most effective manner to achieve that aim and as a result, the agency is effectively a single operating segment.

BDUK's board reviews capital expenditure by programme area and all other costs between pay and non-pay. These do not represent operating segments per IFRS 8 and hence have not been disclosed.

3. Staff costs

	FY 2022 to 2023			
	Permanently employed staff £'000	Others £'000	Contract and agency staff £'000	Total £'000
Wages & salaries	10,337	3,847	2,382	16,566
Social security costs	1,181	20	–	1,201
Pension costs	2,646	45	–	2,691
Total costs	14,164	3,912	2,382	20,458

4. Expenditure

4.1 Grants

	FY 2022 to 2023					
	Superfast contracts £'000	GigaHubs £'000	Gigabit Broadband Voucher Scheme £'000	Shared Rural network £'000	Local full fibre network £'000	Total £'000
Capital grants	1,372	928	44,442	1,014	(1,166)	46,590
Total: Grants	1,372	928	44,442	1,014	(1,166)	46,590

The table above shows a breakdown of the grants paid out during the year of the main programmes run by the Agency. Superfast and LFFN are legacy programmes with residual expenditure incurred during the year.

4.2 Purchase of goods and services

	FY 2022 to 2023
	£'000
Professional services	5,881
Human resources	524
Marketing and media	17
Premises expenses	2
IT maintenance and support	5,914
Travel and subsistence	315
Sub-total: cash items	12,653
Non-cash items	
Auditors' remuneration	95
Sub-total: non-cash items	95
Total: Purchase of goods and services	12,748

Professional services

Included within professional services is £5,450 of consultancy costs.

Auditors' remuneration

Notional non-cash auditors' remuneration for the cost of the audit of the agency's accounts was £95,000. In 2022 to 2023 the agency did not purchase any non-audit services from its auditor, the National Audit Office (NAO).

4.3 Amortisation and expected credit loss

	FY 2022 to 2023
	£'000
Amortisation	599
Impairments/(write backs)	571
Expected credit loss	44
Amortisation - non-cash total	1,214

Amortisation is on the intangible assets being developed for use by BDUK (e.g. vouchers/GIS/Shared Rural Network portals).

Expected credit loss is the provision expense against voucher overpayment debtors that have been outstanding for more than 90 days and writes these down to the actual amount that BDUK expects to collect from the debtor.

4.4 Other operating expenditure

	FY 2022 to 2023
	£'000
Research & development (capital)	828
Other expenditure	912
Sub-total: other operating expenditure	1,740
Finance costs	3
Other expenditure - cash total	1,743

The research and development costs shown meet the ESA10 criteria to be recognised as capital expenditure but do not meet the IAS38 'Intangible Assets' criteria to be capitalised.

Other expenditure mainly relates to amounts paid out under GIS contracts that started during the year.

5. Income

5.1 Revenue from contracts with customers

	FY 2022 to 2023
	£'000
Fees, charges and duties	78
Total: Income from contracts with customers	78

5.2 Grant Income

	FY 2022 to 2023
	£'000
Capital grant income	5,301
Total: Grant income	5,301

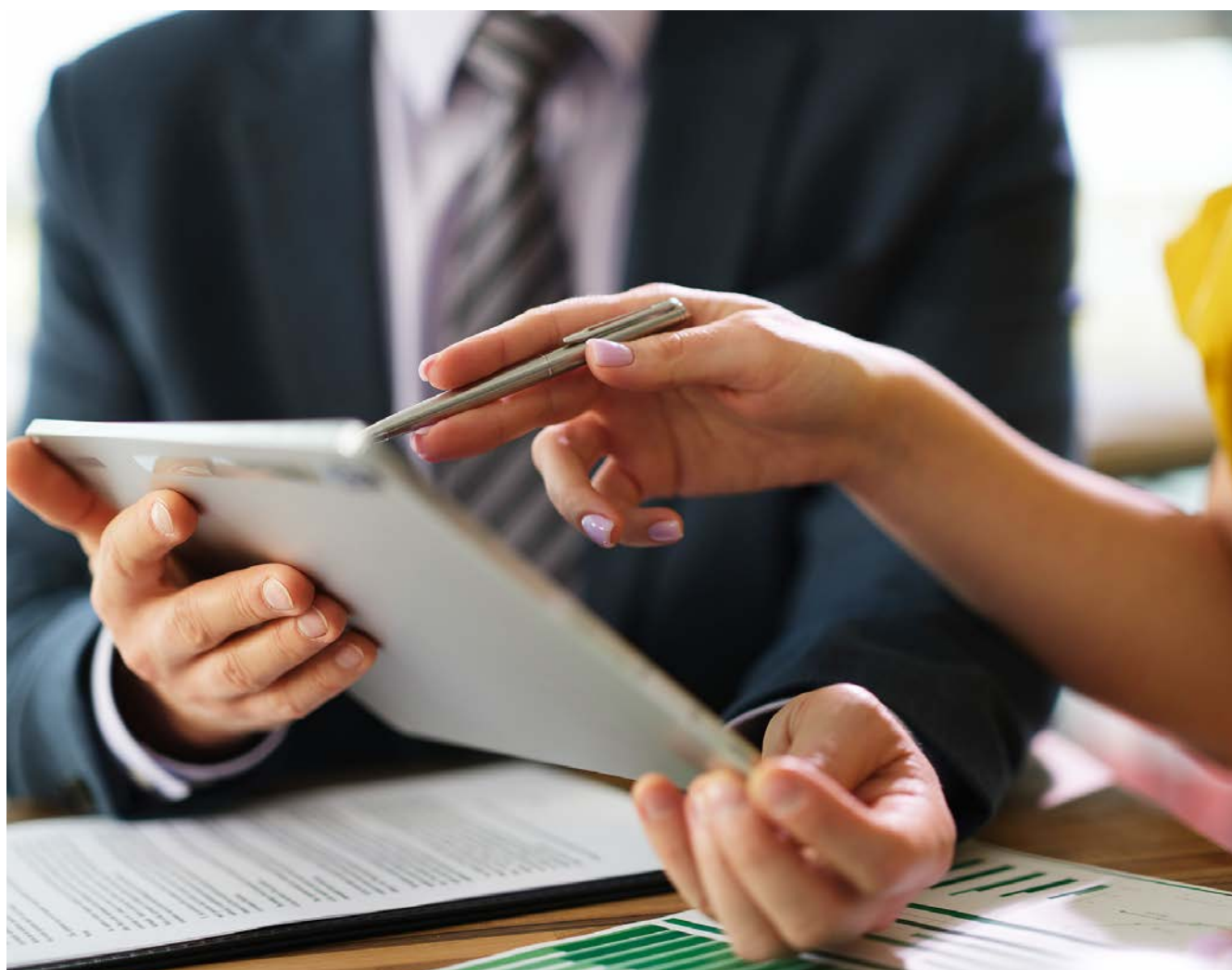
The income above is in relation to the Gigabit Voucher scheme. This represents top-up funding received from local authorities and devolved administrations in areas of the country where the terms of the gigabit voucher scheme cannot fully fund broadband installations.

5.3 Consolidated Fund Income

Income shown in notes 5.1 and 5.2 above do not include any amounts collected by the agency where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	FY 2022 to 2023
	£'000
Other income	22,557
Amount payable to the Consolidated Fund	22,557
Balance held at the start of the year (note 15)	23,704
Payments into the Consolidated Fund (via DCMS)	(34,746)
Balance held on trust at the end of the year (note 10)	11,515

The income above relates to take-up claw-backs under the BDUK Superfast Broadband Programme. These are recovery of grants paid to suppliers for provision of superfast broadband in areas that were deemed at the time, not to be commercially viable. Since installation and with the increased uptake of broadband nationally, suppliers have made higher than originally anticipated profits in some areas. Under the terms of this grant programme, these excess profits are clawed back by the agency and repaid to HMT via DCMS.



6. Intangible assets

	FY 2022 to 2023				
	Licences £'000	Websites £'000	Development expenditure £'000	Asset under construction £'000	Total £'000
Cost or valuation					
At 1 April 2022	-	-	-	-	-
Additions	-	-	-	2,267	2,267
Reclassifications	61	1,456	2,491	(4,008)	-
Transfers in from DCMS (note 15)	-	-	-	3,850	3,850
At 31 March 2023	61	1,456	2,491	2,109	6,117
Amortisation					
At 1 April 2022	-	-	-	-	-
Charged in year	41	267	291	-	599
Impairments	3	568	-	-	571
At 31 March 2023	44	835	291	-	1,170
Carrying amount:					
31 March 2023	17	621	2,200	2,109	4,947
31 March 2022	-	-	-	-	-
Asset financing:					
Owned	17	621	2,200	2,109	4,947

The assets above represent the development and use of products to help deliver and administer the grant and contract programmes run by the Agency.

Significant intangible assets controlled by Building Digital UK are detailed below:

	31 March 2023	
	Remaining useful economic life	Net book value
	(months)	£'000
Asset:		
Analytics Layer software	49	1,017
Evaluation Application software	57	519
Gov.UK Vouchers software	49	437
Template Factory software	57	664
Wordpress software	12	184
Other software	various	17
Assets under construction	–	2,109
Total		4,947

Remaining useful economic lives are in accordance with the agency's Intangible assets policy. Assets under construction is made up of Bid Evaluation Financial Model software (£623,000), In Life Financial Model software (£498,000), Funding Management Platform software (£382,000), Google Cloud Platform software (£337,000) and Github software (£269,000).

7. Financial instruments

	Note	31 March 2023
		£'000
Financial assets		
Amortised costs		
Cash and cash equivalents	9	23,974
Trade and other receivables	8	851
Loans	8	15
		24,840
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	10	(11,542)
Total net financial assets/(liabilities)		13,298

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The amounts disclosed above as payables and receivables therefore exclude any assets or liabilities, which do not result from a contractual arrangement.

The agency's financial instruments comprise cash and cash equivalents and other financial assets and liabilities including trade receivables and payables, that arise directly from operations, or to partially fund future operations.

The agency has not reclassified any financial assets within the year. The agency has no financial instruments that are offset. The agency has not pledged collateral for these financial liabilities.

7.1 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk largely arises from cash and cash equivalents and trade and other receivables. The agency's maximum exposure to credit risk is limited to the value of these assets. The credit risk management policy in relation to trade receivables involves regularly assessing the financial reliability of customers, considering their financial position and historical credit risk.

The agency assesses credit risk when setting the expected credit loss forward looking analysis which is expected to include macroeconomic assessments, historical data and liaising with the customers where required for these assets. Most of the agency's

customers and counterparties are other public sector organisations and so has assessed the level of credit risk as low for these customers. Where the invoices relate to recoveries of grant overpayments, expected credit loss provisions are made to the extent to which management believe that contractual obligations are not likely to be fulfilled in full. It expects assets to be written off when it is no longer possible to recover the asset.

7.2 Market risk (currency and other price risks)

The agency is exposed to very limited market risk. The agency has limited exposure to foreign exchange movements as the business is based in the UK. There are limited instances where it undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount the agency expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction. However, the impact of such transactions is not significant to the agency. In addition, cash balances are held in non-interest-bearing bank accounts.

7.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with

financial liabilities. As the agency's cash requirements are met through funds voted by Parliament, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

8. Trade and other receivables

	31 March 2023
	£'000
Amounts falling due within one year:	
Trade receivables	814
Other receivables	81
Prepayments	1
Accrued Income	11,515
Staff loans and advances	15
Total before expected credit loss	12,426
Expected credit loss	(44)
Total	12,382

Trade receivables includes grant overpayment recoveries of £143k.

Accrued income includes clawbacks receivable at year-end in relation to the BDUK Superfast Broadband programme that had not been invoiced (see note 5.3).

9. Cash and cash equivalents

	31 March 2023
	£'000
Balance at 1 April	–
Net change in cash and cash equivalent balances	23,974
Balance at 31 March	23,974

All cash is held in a Government Banking Service (GBS) account.

10. Trade and other payables

	31 March 2023
	£'000
Amounts falling due within one year:	
Taxation and social security	307
Trade payables	(15)
Other payables	11,557
Accruals & deferred income	9,969
Total	21,818

Other payables includes amounts owed to the consolidated fund for clawbacks recoverable in relation to the BDUK Superfast Broadband Programme (see note 5.3).

11. Contingent liabilities

European Regional Development Fund (ERDF) Superfast liability

This contingent liability is for a potential clawback in relation to European Regional Development Fund (ERDF) funding for two broadband projects which were procured through change requests to existing contracts with BT. The contracts were agreed under the 2012 State Aid National Broadband Scheme (NBS) which expired in June 2015. However, the England ERDF Operational Programme for the 2014 to 2020 period was not agreed until later in 2015 and therefore the funding was added to the contracts in 2016.

The agency believes the funding meets the ERDF criteria given that the contracts had state aid clearance and provision for the extra ERDF funding was included. However, it is possible that the ERDF auditors decide that the additional funding was not in compliance with ERDF criteria as it was added to the contracts after the expiration of the NBS. Advice from the Department for Levelling Up, Housing and Communities (DLUHC) is that the maximum level of possible fines or penalties would be £2.5 million. The outcome will not be known until the relevant audits have taken place, with the potential of an audit challenge remaining in place until 2026.

12. Commitments

12.1 Capital commitments

	31 March 2023
	£'000
Contracted capital commitments at 31 March 2023 not otherwise included in these accounts	
Intangible assets	770
Total	770

12.2 Financial commitments

	31 March 2023
	£'000
Not later than one year	25,000
Later than one year but not later than five years	211,569
Total	236,569

The commitments above are in relation to GIS contracts signed with suppliers before year-end and are due for delivery over the next few years.

13. Related party transactions

We were sponsored by DCMS for the financial year and applied the requirements of the Financial Reporting Manual in respect of disclosure of related party transactions with Government related entities including our parent.

DCMS is regarded as a related party and we have a significant number of material transactions with DCMS, most notably in respect of the supply funding. In addition, we have had a significant number of material transactions with other government departments and central government bodies. Most of these transactions have been with the Cabinet Office, Department for Levelling Up, Housing and Communities, and several councils and devolved administrations.

None of the Executive Team members or managerial staff or other related parties has undertaken any material transactions with the agency during the year.

The Remuneration Report (page 65) contains details of payments made to key personnel.

14. Events after the reporting period

In accordance with the requirements of IAS 10 'Events after the Reporting Period', post year end events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The following events occurred after the reporting period:

Changes to Board Members

Jonathan Clear was appointed as Chief Financial Officer and Chief Operating Officer on 1 June 2023.

Paul Norris resigned as Chief Executive Officer on 4 September 2023 and was replaced by Dean Creamer on 5 September 2023.

Further details of the departmental board can be found in the Corporate governance report.

Machinery of Government (MoG) change

BDUK had a MoG change that changed its parent department from the Department for Digital, Culture, Media and Sport to the newly created Department for Science, Innovation and Technology

(DSIT). Although the transfer was effective from 7 February 2023, in line with the FReM, this transfer will take effect in the 2023- to 2024 DCMS and DSIT accounts and estimates.

Date accounts authorised for issue

The accounts were authorised for issue on the date the Comptroller and Auditor General certified the accounts. The accounts do not reflect events after this date.



15. Transfer of function

The transfer of assets and programmes to BDUK, are assessed for recognition and application in accordance with the FReM and other frameworks covering all such transfers.

On 1 April 2022, all BDUK programmes moved from DCMS into a newly created BDUK executive agency. As this transfer occurred within the DCMS group, this has been accounted for as a transfer by absorption.

The programmes are continuing and the budget which was held in DCMS in 2021-22, is now held in BDUK from 2022 to 2023 onwards. Accountability has therefore transferred to BDUK with Accounting Officer responsibility transferring too.

The following table reflects the impact on the BDUK accounts arising from the transfer on 1 April 2022:

	Note	1 April 2022
		£'000
Intangible assets	6	3,850
Total non-current assets		3,850
Trade and other receivables		25,160
Total current assets		25,160
Total assets		29,010
Trade and other payables		(51,063)
Total current liabilities		(51,063)
Total assets less current liabilities		(22,053)
General fund	SoCNE	(22,053)
Total equity		(22,053)

SoCNE comparatives for the prior year have not been disclosed as indirect costs incurred whilst part of the DCMS core department cannot be reliably quantified to provide meaningful figures.



Building Digital UK

