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Digital, Culture,
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Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
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8th July 2022

Dear Chair

Accounting Officer Assessment: Open Networks Programme

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans to start major projects and to assess whether they measure up to the standards set out in Managing Public Money. From April 2017, the government committed to make a summary of the key points from these assessments available to Parliament for projects within the Government Major Projects Portfolio (GMPP).

Background and Context

The Open Networks Programme ('the Programme') is a new project within GMPP that is managed by DCMS. It supports the aims of the '5G Supply Chain Diversification Strategy'¹ (November 2020).

The Supply Chain Diversification Strategy followed the Government's decision to require Mobile Network Operators to remove Huawei from their 5G networks by 2027. At that point, the UK will become dependent on just two equipment vendors, Nokia and Ericsson, to supply the infrastructure for the nation's networks. The [Telecoms Supply Chain Review](#) concluded that this lack of diversity represents a serious security and resilience risk to critical national infrastructure. The 5G Diversification Strategy responds to this by setting out how the Government can stimulate a more competitive, dynamic and diverse telecoms equipment supply chain.

¹ <https://www.gov.uk/government/publications/5g-supply-chain-diversification-strategy>

The Open Networks Programme will invest £249.5 million over SR21, in addition to the £50 million allocated during SR20, to fund research and development in the Radio Access Network (RAN), which is a key component of all mobile networks. Making the RAN interoperable by incentivising technologies such as Open Radio Access Networks (Open RAN) offers an internationally recognised path to a more diverse supply chain in this area.

The Programme is part of a wider range of activities to encourage diversification of the telecoms equipment market and will contribute to the [government's joint ambition](#), made with the UK mobile network operators, for 35% of mobile network traffic to pass through Open RAN infrastructures by the end of the decade.

The UK Telecoms Lab (UKTL) forms part of the Open Networks Programme and is funded through the same settlement. Once the Full Business Case for UKTL (totalling £42.72m over SR21) has been approved, this Accounting Officer Assessment will be reviewed and updated if required.

The objectives for the Open Networks Programme set out in the Programme Business Case are to:

- **Accelerate open-interface products and solutions** – ensuring they are truly interoperable, performant and sustainable – to support our long term vision for a more open and innovative telecoms market.
- **Incentivise and de-risk accelerated deployment in the UK** – to encourage and accelerate network operators to adopt and deploy open network solutions.
- **Develop an internationally recognised UK telecoms ecosystem** positioning the UK as a leading global market and focal point for research into open network technology.

This AO assessment considers the four accounting officer standards of regularity, propriety, value for money and feasibility.

Regularity

As well as delivering the 5G Supply Chain Diversification Strategy, the Programme will contribute to wider government objectives such as the Digital Strategy and Integrated Review, as well as the Government's broader levelling-up, Cyber Strategy, DCMS Outcome Delivery Plan, Industrial Strategy R&D and investment, and security and resilience priorities.

HM Treasury has approved the Open Networks Programme Business Case, confirming approval for capital-fund interventions for launch in 2022-23. Launch of further interventions from 2023-24 will be subject to HM Treasury approval by April 2023.

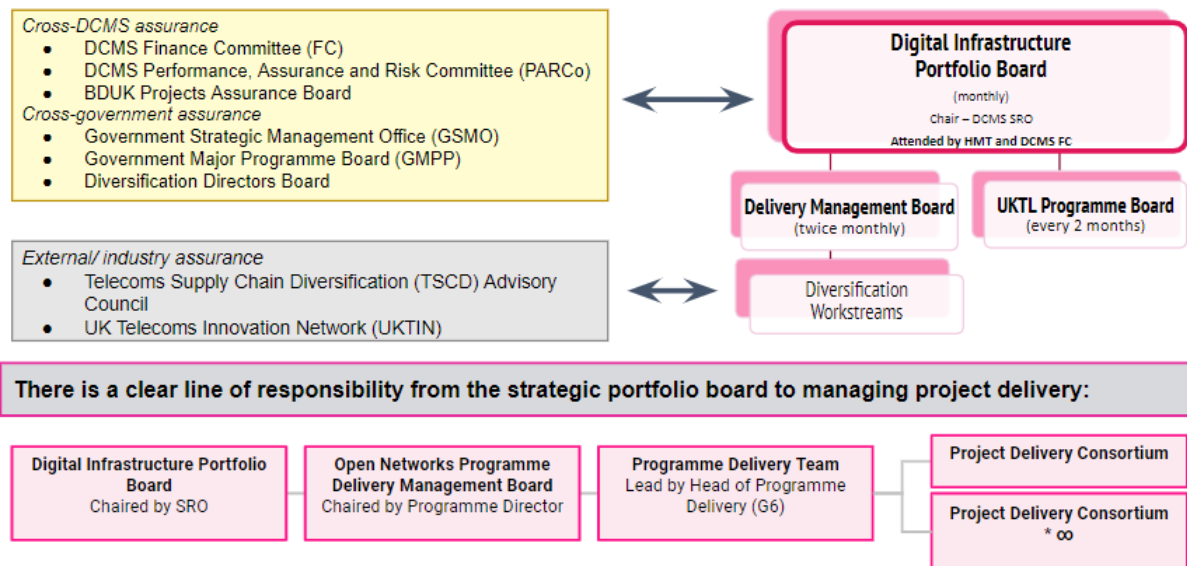
The Programme will make use of both grants and contracts to distribute funds. Our grants are covered by [section 13A](#) of the Industrial Development Act 1982 and the contracts by the [Public Contracts Regulations 2015](#). We have made use of external legal advice in our planning around subsidisation to ensure it conforms to the most recent subsidy control laws.

Summary: There are no issues relating to regularity for the Open Networks Programme.

Propriety

The Programme is assessed as proper, and conforms to accepted standards. The Programme will be managed in accordance with the Infrastructure and Projects Authority's (IPA's) Integrated Assurance and Approvals Process and will draw from best practice, lessons learnt, Project Delivery Functional Standard as well as project management methodologies.

The Programme has a Senior Responsible Owner (SRO); the DCMS Digital Infrastructure Director, Imran Shafi. Delivery will be overseen by the Programme Director, Keith Bullock. The Programme Director has extensive experience of delivering major, complex programmes, and is supported by a dedicated Programme Management Office (PMO). There is a robust governance structure, reporting directly into the SRO at the Portfolio Board level (as demonstrated in the diagram below).



Interventions will be developed and managed through use of this governance framework to ensure that they are fit for purpose and support delivery of the 5G Supply Chain Diversification Strategy. In most cases, interventions will be in the form of grants awarded through a competitive process. However, procurement or direct award may also be used if necessary, appropriate and compliant with procurement regulations.

The Programme is subject to programme-level assurance in the form of annual IPA Gate reviews. These are facilitated by DCMS colleagues from the Project Delivery Centre of Excellence. Project level assurance is carried out by the Project Assurance Board in Building Digital UK Operations. This board provides independent assurance on delivery, governance, finance, commercial, procurement, subsidy control and other regulatory and legal issues as required.

The delivery team engages with DCMS Grants and Counter Fraud, as well as Cabinet Office Counter Fraud, to finalise and manage our assessment and management of programme fraud risks. Fraud Risk Assessments for each intervention have been completed and are subject to

regular reviews. Loss reporting is done through CDRS (Consolidated data reporting) via DCMS to the Cabinet office in line with section 5.3 of the Counter Fraud standards. Financial risks are managed through the grants payment process with checks undertaken on a risk basis with additional random dip testing.

Summary: There are no issues relating to propriety for the Open Networks Programme.

Value for Money

The economic benefits of the Programme, as set out in the Programme Business Case, outweigh the costs at a Benefit Cost Ratio of 2.4 and Net Present Social Value of £694m. We expect the Programme to deliver benefits such as reduced cost of network and supply chain resilience risks, as well as increased competition and cost efficiencies through increased Open RAN adoption.

The Programme will be monitored throughout its life cycle through project performance. This will be reported to Delivery and Portfolio Boards to ensure continued progress towards achieving the expected outcomes and goals. Insights on the progress of the projects will be harvested and aggregated periodically to inform the progress towards programme objectives and to inform future interventions.

Summary:

Ultimate responsibility lies with the SRO, but the Programme's finance team and governance processes will ensure value for money in this programme with support from DCMS central finance and boards such as Portfolio board which has wider government and independent representation.

There is inevitable risk with R&D programmes and challenges around measuring and attributing outcomes, with benefit realisation happening long after investment; this programme has established processes to assess progress regularly throughout its lifecycle. This approach means there are no significant concerns regarding value for money for the Open Networks Programme.

Feasibility

The Programme Business Case sets out the management and governance arrangements necessary to deliver a successful Open Networks Programme.

While the Programme consists of multiple complex interventions which are to be delivered to ambitious deadlines, the delivery team is confident in their resource plan and in the capability of the experienced programme team, which has had the experience of managing the successful 5G Testbeds & Trials GMPP project.

Delivery schedules will be monitored closely by the Programme's management and governance structures to ensure delivery is progressing in a controlled way. Spend will also be monitored closely with DCMS Finance and HM Treasury, and discussed as part of regular reviews so that early action can be taken if needed if major risks to programme objectives are emerging.

As part of GMPP, the Open Networks Programme will be subject to scrutiny via robust assurance processes, defined and overseen by DCMS as part of GMPP's 'Tier B' set of projects, using the required Gateway and HM Treasury Major Projects Review Group (MPRG) processes to monitor successful delivery of the Programme.

A Gateway 0 Review of the Programme was completed on 11 March 2022; the Programme received an amber rating, and formal reporting started from the end of Q1 2022/23.

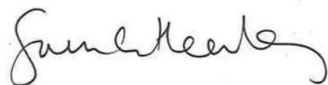
Summary: There are no significant concerns regarding feasibility for the Open Networks Programme.

Conclusion

As the Accounting Officer for the Open Networks Programme, I considered this assessment and approved it on 9th August 2022.

I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this project, I undertake to prepare a revised summary, setting out my assessment of them. This summary will be published on the government's website (gov.uk). Copies will be deposited in the Library of the House of Commons, and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Sarah Healey', written in a cursive style.

Sarah Healey
Permanent Secretary