



Department for
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Ms Hillier MP
Chair of Public Accounts Committee
House of Commons
London
SW1A 0AA

6th April 2022

Dear Ms Hillier,

Accounting Officer Assessment: Shared Rural Network Programme

The Shared Rural Network (SRN) is a world-leading £1 billion government deal with the UK's four Mobile Network Operators EE, O2, Three and Vodafone that will see both public and private investment in a network of new and existing phone masts closing not-spots and levelling up connectivity across every corner of the UK.

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

Background and Context

The Shared Rural Network Programme objectives are to:

1. Deliver 4G mobile coverage to 95% of the UK landmass (today 69% of the UK landmass has 4G mobile coverage from all four operators, and 91% has coverage from at least one operator) by the end of programme, underpinned by legally binding coverage obligations.
2. Deliver additional 4G mobile coverage to at least 280,000 premises and 16,000km of roads by the end of programme.

The programme will be delivered in two parts running in parallel. The first phase will see the four operators collectively invest over £530 million in a shared network of new and existing phone masts. This will help tackle partial not spots - areas where there is currently coverage from at least one, but not all operators.



Starting second and running in parallel the Government is investing over £480 million to go even further to significantly reduce total not-spots - those hard-to-reach areas where there is currently no coverage from any operator.

The four mobile operators have already commenced work on the first element of the SRN programme which is funded by the industry, and are on track to eliminate the majority of partial not-spots by mid-2024.

With funding now available for the publicly funded element of the network, the government and the operators remain confident that combined coverage will be delivered to 95% of UK geography by the end of 2025, with areas around the UK starting to see improvements to 4G coverage long before completion. However, in line with the six year capital funding period, the legally binding spectrum obligations must be met by January 2027.

The Programme will also set the foundation for future generations of mobile technology such as 5G in rural areas, which will be built on 4G infrastructure.

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

Regularity

Regularity considers whether the proposal rests on clear legal grounds. The legal basis for the funding is Section 13A of the Industrial Development Act 1982, with the required HMT approval provided through the Full Business Case (FBC).

A further consideration is the UK's international and domestic obligations on subsidy control. Government interventions which interact with industry run the risk of market distortion, which could be deemed to be a subsidy. The Programme is ensuring that all sub-programmes are designed to, and remain, compliant with the new subsidy regime.

In March 2021, the SRN programme published a Transparency Commitment Publication, which provides information on how the programme meets the subsidy principles set out in the TCA. Additionally, and as required under Article 3.7 of the UK-EU Trade and Cooperation Agreement (TCA), made binding by the European Union (Future Relationship) Act of 2020 the SRN programme has registered onto the UK subsidy online Transparency database owned and maintained by BEIS.

Summary: On these grounds, no issue of regularity arises.

Propriety

The Shared Rural Network Programme is assessed as proper, and conforms to accepted standards. The Programme is engaging with the Infrastructure and Projects Authority to ensure it follows established best practice.

Summary: There are no issues relating to propriety for the Shared Rural Network Programme.

Value for Money

The Full Business Case sought approval for £510m in capital and operational budgets for the Shared Rural Network Programme. The Shared Rural Network team has completed an economic case as part of the FBC. At the time of the FBC the Programme benefit cost ratio (BCR) was 1.6, representing value for money. This is not time-dependent so will not be impacted by the delays to delivery created during state subsidy negotiations.

Value for money is a core consideration throughout the Programme - as activity is planned and approved, care is taken to ensure that value to the public purse is maximised.

To provide assurance that value for money is achieved, the Building Digital UK (BDUK) Finance team will carry out a number of review functions including attending assurance boards where the finance lead will comment on affordability and provide a check and challenge to the commercial review. The BDUK Finance team's role in the grant approval and payment process will also help ensure that grant claims only include valid expenditure, are for the correct amount, are authorised correctly and are paid to the correct grantee. Further scrutiny checks are inbuilt at a Departmental level, in particular DCMS Finance sits on the Building Digital UK (BDUK) Board which allows them to provide direct advice and challenge on Programme proposals.

Summary: There are no concerns regarding value for money from the Shared Rural Network Programme.

Feasibility

Scrutiny by both the DCMS Finance Committee and at the Treasury Approval Point Panel raised no significant concerns around the feasibility of delivery. The subsidy delays caused by the extended EU-UK trade negotiations, have impacted upon the requirements set out within the business case meaning the end date of the build phase is delayed by 6 months. DCMS and HMT are working closely together to reprofile the delivery and subsequent funding requirements, which we expect to reconfirm the overall feasibility of the SRN Programme.

Challenges also remain around the Extended Area Service element of the programme in terms of agreeing commercial agreements with the Mobile Network Operators, but work is underway with HM Treasury and Home Office to ensure the right governance to deliver this element of the programme.

The Shared Rural Network Programme joined the GMPP during the calendar year of 2021, therefore was subject to timely IPA reviews, and GMPP reporting. A Gateway O Review took place in June 2021.

Summary: The grant funded elements of the programme are feasible, with procurement and technical work well underway. There will be a 6 month delay to the expected completion date of these works as the transition to the new state subsidy regime delayed the commencement of the grant funding window. The joint Home Office element of the programme is technically feasible and within the funding envelope. Additional work is under way to update the Memorandum of Understanding between the two departments.

Conclusion

As the accounting officer for DCMS I considered this assessment of the Shared Rural Network Programme and approved it on 4th April.

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', with a stylized flourish at the end.

Sarah Healey CB

Sarah Healey
Permanent Secretary