



Department for  
Digital, Culture,  
Media & Sport

**Sarah Healey CB**  
Permanent Secretary  
4th Floor, 100 Parliament St  
London SW1A 2BQ  
T: 020 7211 6256  
[permanent.secretary@culture.gov.uk](mailto:permanent.secretary@culture.gov.uk)  
[www.gov.uk/dcms](http://www.gov.uk/dcms)

Meg Hillier MP  
Chair of Public Accounts Committee

10 July 2019

*Dear Meg*

## **ACCOUNTING OFFICER ASSESSMENT OF THE BUSINESS CASE FOR RURAL GIGABIT CONNECTIVITY PROGRAMME**

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 when an Accounting Officer has agreed an assessment of projects within the Government's Major Projects Portfolio. This AO assessment considers the four accounting officer standards of regularity, propriety, value for money and feasibility.

### **Introduction**

The Rural Gigabit Connectivity (RGC) programme aims to drive investment in future-proof broadband connectivity in some areas of the UK with the poorest connectivity. RGC is a major step towards achieving our vision for full fibre broadband as the future of UK digital infrastructure. The Capital funding of £200 million is being drawn down from the £738 million National Productivity Investment Fund (NPIF) announced by HMT in 2017 and this specific allocation to RGC was announced in the October 2018 Budget Statement. (See page 56, para 4.13 of Budget Report [here](#))

Running until March 2021, this is a pilot project for the "Outside In" approach described in the Future Telecoms Infrastructure Review ([FTIR](#)). Whilst it will result in some increased rural connectivity, it is not in itself a coverage programme, but rather will test a series of Demand Side interventions that we believe will be elements of a future "Outside In Programme" to commence in April 2021. That future programme will most likely also include a series of Supply Side interventions which will require a new State Aid Notification and Approval. As that approval process can take up to 2 years, we have elected to get underway with a Demand Side intervention first.

Working with other Government Departments, Local Bodies and Suppliers, this programme will



grant fund the installation of full fibre broadband to public buildings, in rural areas and small towns. These will include schools, healthcare sites, libraries and other suitable public buildings. As well as delivering direct benefit to the public building itself (through improved digital services), this will also result in new fibre cables being laid right into the heart of a community - bringing fibre closer to nearby homes and businesses to form a community "hub site". In parallel to this we are launching a Rural Gigabit Broadband Voucher Scheme for Residents and SMEs to upgrade connectivity to their own buildings. The combination of these two interventions seeks to make it more economically attractive for network providers to invest in those areas - where previously they would have struggled to make the case.

These interventions are based on learning and experience from the DCMS Gigabit Broadband Voucher Scheme and the Local Full Fibre Networks Programme where we upgraded rural schools during Wave1 of the Programme. We will also leverage or re-use the existing voucher platform, processes and team.

### 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 State Aid. Government interventions which interact with industry run the risk of market distortion, which could be deemed to be a State aid. For this Programme the fibre upgrades to public buildings will be procured through existing frameworks or open procurement and on the basis of the needs of that building alone. Therefore we consider that this is not State Aid. The beneficiaries of the voucher scheme are the individual SMEs and residents who will receive our funding on a *de minimis* basis and is therefore not notifiable from a State Aid perspective.

The Government's ambitions for digital connectivity continue. The aim is to provide world-class digital connectivity that is gigabit-capable, reliable, long-lasting and widely available across the UK - and to do so at pace. That is why Government launched a £1.1 billion digital connectivity package, including the £400 million Digital Infrastructure Investment Fund to help investment in new fixed and mobile networks; the Local Full Fibre Network programme; and the 5G Testbeds and Trials programme.

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

### Propriety

Rural Gigabit Connectivity Programme is assessed as correct and proper. The Business Case has been passed by DCMS Finance Committee and the Treasury Assurance Point Panel and has also

received Permanent Secretary approval to proceed. The Programme conforms to accepted standards.

**Summary: *On propriety grounds, there is no cause for concern***

### **Value for money**

In the design and implementation of the delivery approach, anticipated key value for money considerations include:

- Maximising interest in our funding by warming the market to communicate pipeline opportunities and timing to as wide an audience as possible
- Designing a requirement specification that maximises competition for individual procurements
- Focusing on procurement design, including aggregated requirements and frameworks to reduce bid costs and improve efficiency
- Incorporating benchmarking controls over suppliers' installation and recurring pricing to test for consistency in the scheme design

The BDUK Finance Team will contribute to ensuring value for money in the capital programme. They will attend assurance boards where the finance lead will comment on affordability and provide a check and challenge to the commercial review. All monies committed in both the capital programme and in resource costs supporting the capital programme will follow the principles laid out in the Managing Public Money, i.e. that spend will be: in the spirit of, as well as to the letter of the law; in the public interest; to high ethical standards; achieving value for money.

**Summary: *There are no significant concerns regarding Value for Money from the RGC Programme.***

### **Feasibility**

The business case sets out the management and governance arrangements necessary to deliver effectively and credibly a successful Rural Gigabit Connectivity Programme. The achievement of the benefits claimed is dependent upon take-up by commercial providers. Scrutiny by both the DCMS Finance Committee and at the Treasury Approval Point Panel raised no significant concerns around the feasibility of delivery. However, the resource funding for this Programme is contingent on sufficient capital underspends being available. Future resource funding will continue to be monitored closely with DCMS Finance and HMT's DCMS spending team and will be discussed as part of the upcoming spending review so that early interventions can be made if required.

The Rural Gigabit Connectivity Programme joined the GMPP Programme on 1 July 2019 and will be subject to timely IPA reviews. A Gateway 0 review is scheduled to commence in July 2019.

**Summary: *No issues of feasibility have been identified.***

Department for Digital, Culture, Media & Sport

**Conclusion**

It is concluded that the Rural Gigabit Connectivity Programme remains an appropriate use of public resources and that the Programme should proceed. HMG is committed to full fibre, and this programme tests innovative ways to achieve this.

As the DCMS Accounting Officer I considered this assessment of the Rural Gigabit Connectivity Programme and approved it on 10th June 2019

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 programme, I undertake to prepare a revised summary, setting out my assessment of those factors.

This summary will be published on the government's website ([www.gov.uk](http://www.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,

Permanent Secretary