

Meg Hillier MP
Chair, Public Accounts Committee

13 February 2019

Dear Meg

Accounting Officer Assessment: 5G Testbeds and Trials Programme

The 5G Testbeds and Trials Programme is a Government Major Project which will invest £200m of capital funding in trialling new use cases of 5G technology. The Programme is intended to encourage market investment in 5G and mobile connectivity in 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 when an Accounting Officer has agreed an assessment of projects within the Government's Major Projects Portfolio.

Background

The 5G Testbeds and Trials Programme objectives are to:

1. Help to establish the conditions under which 5G can be deployed in a timely way to drive efficiency and productivity, and maximise the chances of the UK being amongst the leading 5G countries
2. Foster the development of a diverse and varied set of 5G use cases and applications to ensure that the UK and UK businesses are well placed to maximise the benefits of 5G

The Programme will also support the implementation of the Government's Future Telecoms Infrastructure review

The development and deployment of 5G and its applications will be important to the UK's economic growth over the coming decade and aligns with the Government's Future Telecoms Infrastructure review, which considers how best to deliver the Government's connectivity objectives.

Of the £200 million has been allocated to the Programme to date, around £40m is expected to be spent by the end of this financial year. Early projects that have been delivered include a £16m investment in creating the 5GUK Test Network and a 5G mapping project developed in co-ordination with Ordnance Survey. In March 2018, the six winners of the first

Phase of the 5G Testbeds and Trials competition were announced. These six projects - led by small and medium-sized enterprises (SMEs), universities and local authorities - represent the best of UK innovation, resources and expertise and are testing 5G across a range of applications.

In September 2018, we announced our preferred partner for our Urban Connected Communities Project as the West Midlands Combined Authority. The Urban Connected Communities Project will develop a large-scale, 5G pilot across the region. Up to £50m could be made available for the project, subject to further development and approval of the business plan.

Major investment has also been committed to projects looking at roads and 5G security, and we expect to publish further details on projects addressing key UK economic sectors and 5G in rural communities in the near future.

This AO assessment considers the four accounting officer standards against which all such decisions are taken.

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 1983, with the required HMT approval provided through the Full Business Case (FBC).

DCMS must stay within the delegations for spend set by HMT. As the Programme goes beyond these delegations, additional capital and resource funding were requested from HMT with the majority of the programme approved by a letter from the Chief Secretary to the Treasury dated 17th January 2018.

- A capital funding allocation of £200 million from the £738 million National Productivity Investment Fund was confirmed by HMT at Autumn Budget 2017.
- HMT have confirmed that resource funding for financial year 19/20 will come from capital to resource switches made from any available underspends on other DCMS non-ring fenced capital projects. This means resource funding for this Programme is contingent on sufficient capital underspends being available.
- Future resource funding will be discussed with HMT as part of the upcoming spending review.

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. The Programme is ensuring that all projects are designed to, and remain, compliant with State aid legislation.

Summary: There are no issues of regularity relating to the 5G Testbeds and Trials Programme at this time. However, future resource funding is contingent on capital underspends from elsewhere in DCMS. This will need to be closely monitored with DCMS Finance and HMT's DCMS spending team so that early interventions can be made if required.

Propriety

The 5G Testbeds and Trials Programme is assessed as proper, and conforms to accepted standards. The Programme is engaging with both the Infrastructure and Projects Authority

(IPA) and the Crown Commercial Service (CCS) to ensure it follows established best practice.

Summary: There are no issues concerns relating to propriety for the 5G Testbeds and Trials Programme at this time

Value for money

The Full Business Case sought approval for £200m in capital budgets for the 5G Testbeds and Trials Programme. The 5G Testbeds and Trials Programme team have kept the economic case under assessment and, having gathered additional evidence, now view the Programme benefit cost ratio (BCR) to be 7.4, representing significant value for money.

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 Finance team will carry out a number of review functions. Finance will review grant proposals and attend assurance boards where the finance lead will comment on affordability and provide a check and challenge to the commercial review. Finance team's role in the grant approval and payment process also helps ensure that grant claims only include valid expenditure, are for the correct amount, are authorised correctly and are paid to the correct grantee. DCMS Finance sit on the 5G Testbeds and Trials Programme board which allows them to provide direct advice and challenge on Programme proposals.

Summary: There are no significant concerns regarding value for money from the 5G Testbeds and Trials Programme

Feasibility

As outlined above, the 5G Programme is designed to address deployment and technical challenges for 5G, reduce commercial investment risks by stimulating new use cases, and inform policy-making. It involves investment in new and innovative technologies. The operating environment for these technologies is dynamic and uncertain, for example, in relation to future business models and the scale and speed of network deployment. These environmental factors make it possible that the Programme could make the right choices but not deliver the expected objectives and benefits in terms of 5G development. The Programme Board will continually assess progress within this context and make judgements about continued feasibility.

The business case sets out the management and governance arrangements necessary to deliver a successful 5G Testbeds and Trials Programme. Scrutiny by both the DCMS Finance Committee and at the Treasury Approval Point raised no significant concerns around the feasibility of delivery. The Programme continues to report through normal DCMS governance structures and is also subject to regular reviews by the Infrastructure and Projects Authority (IPA). Whilst there have been some delays to projects during the initial setup phase of the Programme, these are not unexpected for a Programme involving new, innovative technologies. The Programme is working closely with market participants to minimise the risk of such delays impacting projects.

Summary: There are no significant issues relating to the feasibility of delivering the 5G Testbeds and Trials Programme

Conclusion

It is concluded that the 5G Testbeds and Trials Programme remains an appropriate use of public resources and that the Programme should proceed.

As the DCMS Accounting Officer I considered this assessment of the 5G testbeds and Trials Programme and approved it on Wednesday 13 February.

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). 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,



Dame Sue Owen DCB
Permanent Secretary