# Building Digital UK

Annual Report and Accounts
2023-2024

# Building Digital UK

## Annual Report and Accounts 2023-2024

For the period 1 April 2023 to 31 March 2024

**OGL**

# Contents

# Foreword from the BDUK Chair and Chief Executive

**Our progress this year supports the government's central missions, from kickstarting economic growth to breaking down barriers to opportunity. Delivering world class digital infrastructure to citizens and businesses across the UK has never been more important.**

As technology rapidly develops and we see advances in areas such as AI, offering groundbreaking opportunities to improve how we live and work, our mission to deliver ubiquitous fast, reliable connectivity has been brought into sharper focus. It is no surprise therefore that our efforts to improve the UK's digital infrastructure have ramped up in the past year, and we are pleased to report that we continue to make strong progress. Both Project Gigabit, enabling hard-to-reach communities access fast, reliable broadband, and the Shared Rural Network, improving 4G coverage across the UK, have achieved their headline delivery targets ahead of schedule.

Under Project Gigabit, we have signed contracts at an accelerated pace. In the year ended March 2024, 21 contracts worth over £1 billion were awarded. Once completed, these are set to provide better broadband for over 600,000 premises that would otherwise have been left in the digital slow lane.

Ensuring that people, wherever they are, can enjoy the full benefits of high-quality broadband and mobile coverage – from improved productivity and quality of life to enhanced education and healthcare – continues to be the driving force behind everything we do. And thanks to the collaboration between our partners and everyone at BDUK, we continue to see excellent progress in our mission.

By the end of March 2024, more than 81% of UK homes and businesses had access to gigabit-capable broadband thanks to the combined efforts of commercial and government-funded delivery. Since then, coverage has continued to grow. The latest data (October 2024) shows that the initial target of 85% gigabit coverage has been met over a year early, putting us in a strong position to reach the government's commitment of 99% coverage by 2030.

BDUK exceeded its primary delivery target for Project Gigabit, with our interventions bringing gigabit-capable broadband to 143,900 premises during the year. Furthermore, after years of hard work building the foundations of Project Gigabit and running dozens of complex procurements, our contracts are now starting

to make a meaningful contribution to these figures, and more importantly, helping thousands of people access faster, more reliable broadband.

The Shared Rural Network (SRN) – our programme for improving outdoor 4G mobile coverage in remote parts of the UK – has also made considerable headway. As of March 2024, 93% of the UK's landmass had 4G coverage from at least one mobile network operator, up from 91% when the SRN launched in March 2020. 4G coverage has since continued to rise during 2024. In September, Ofcom announced that we are now at 94.9%, on the cusp of hitting the programme's headline target of 95% coverage more than a year ahead of schedule.

To ensure we continue to deliver the best possible outcomes for hard-to-reach communities, we must prepare for market challenges and economic headwinds ahead. To successfully deliver Project Gigabit and the SRN, we will need to navigate macroeconomic, resource, and financial challenges with our partners. The market remains dynamic, with changes in inflation, interest rates, supply, and labour costs causing uncertainty for both commercial and subsidised delivery. We are actively monitoring and responding to these challenges.

We've reached some important milestones this year, and these are a real testament to the hard work of everyone at BDUK and our partners. However, there is more to do to maximise the benefits of both these vital infrastructure projects over the coming years as we continue to roll out fast, reliable connectivity in underserved areas of the UK.

**Dean Creamer CBE**
**BDUK Chief**
**Executive Officer**

**Hazel Hobbs**
**Interim BDUK Chair**

# 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.**

Our sponsor department is the Department for Science, Innovation and Technology (DSIT). Last year we moved from the Department for Digital, Culture, Media and Sport (DCMS) and for this financial year our reporting is consolidated in the DSIT Annual Report and Accounts.

We work closely with colleagues in the Digital Infrastructure directorate of DSIT 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:
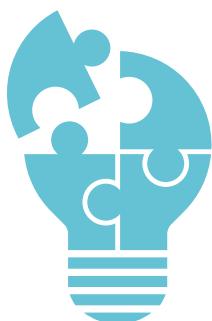
1. **Project Gigabit:** A major government programme to deliver gigabit-capable broadband to homes and businesses across the UK. The programme supports the government's ambition for full gigabit broadband coverage by 2030, making sure that people have the same access to fast and reliable connectivity wherever they live, work and study.

2. **Shared Rural Network (SRN):** A joint investment with the UK's four mobile network operators to improve mobile connectivity in rural parts of the UK.[1] The programme will increase 4G coverage, ensuring that 95% of the UK's landmass will have coverage from at least one operator, and increasing the areas where all four operators deliver coverage.

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.

Delivering our mission is a team effort across government, industry, local councils, devolved administrations, regulators, consumer groups and citizens, and we work with these partners to ensure that people can access the reliable digital connectivity that can transform their lives.

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 and the SRN are subject to regular scrutiny by the Infrastructure and Projects Authority (IPA).

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

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

# Challenges

We continue to deliver our mission, remaining ever mindful of market challenges and economic headwinds.

To deliver both Project Gigabit and the SRN, 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.

For Project Gigabit, the market has gone further and faster than expected, but remains dynamic, affected by the same macroeconomic concerns as found across other infrastructure sectors. We are also mindful of further sector-specific risks where fragmentation in the market and network overbuild may lead to lower take-up levels for each operator. We continue to monitor suppliers' commercial plans and will respond wherever possible to fill gaps in coverage in areas where there is retrenchment. We are also ready to respond to any instances where financial distress among our suppliers results in gaps in delivery and,

alongside DSIT, we have prepared for a range of possibilities. We will continue to work closely with our partners across government, Ofcom and industry to put ourselves in the best position to anticipate future scenarios and develop contingencies to ensure successful delivery.

The key practical challenge for the SRN remains delivering value for money site solutions in very rural and hard-to-reach areas. There have been concerns raised by local communities about the potential impact of new infrastructure built in remote and sensitive areas. We will continue to encourage the mobile network operators (MNOs) to extend 4G coverage to maximise all the benefits it can provide in a way that protects the inherent beauty and people's enjoyment of these landscapes. There are a range of benefits for rural communities, from helping emergency services to save lives and tackle crime to boosting tourism, and promoting more efficient and sustainable farming practices.

# Performance overview and key achievements

This section provides a summary of BDUK's performance between 1 April 2023 and 31 March 2024.

## Project Gigabit

Project Gigabit in numbers[2]

| 1. | 2. | 3. | 4. |
| --- | --- | --- | --- |
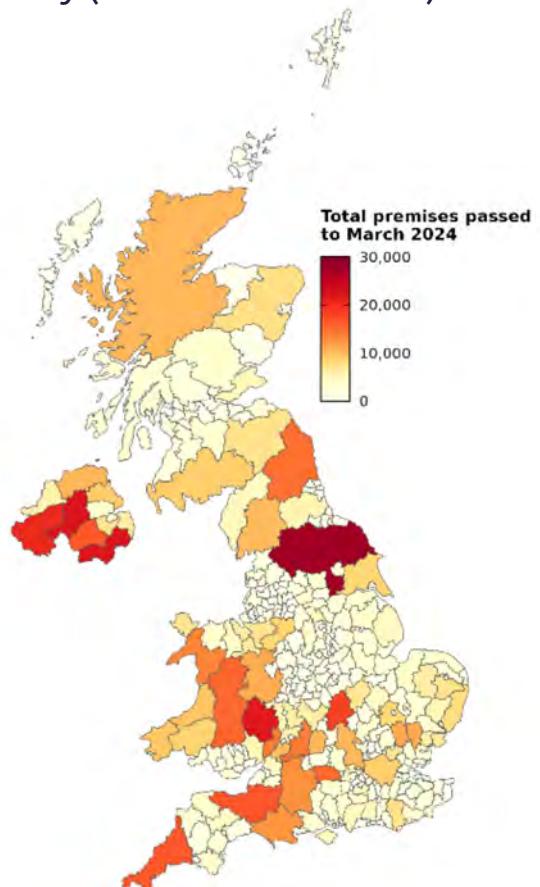
1. 1,064,500 premises passed with a gigabit-capable connection by 31 March 2024

2. 791,300 sub-superfast premises passed by 31 March 2024

3. 29 contracts signed by 31 March 2024 (to pass up to 774k premises and worth up to £1.3 billion)

4. 7 procurements live as at 31 March 2024 (to pass up to 259,000 premises and worth up to £578 million)

5. The number of premises passed by local authority (see illustration below)

## 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 2024.

2. Local authority district areas in London have been combined into a single unit, and the premises passed by BDUK have been summed.



Total premises passed to March 2024

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[2] *Data represents BDUK progress to 31st March 2024. For our most up-to-date procurement information, please refer to* our latest quarterly update.

**Project Gigabit was launched in April 2021, building on successful legacy programmes such as the Superfast, Local Full Fibre Networks and Rural Gigabit Connectivity programmes.**

By 31 March 2024, as a result of significant commercial and subsidised delivery, over 81% of UK homes and businesses had access to a gigabit-capable broadband connection.[3] Our interventions enable suppliers to extend gigabit-capable broadband networks to premises not reached by their commercial build plans alone. We aim to pass between 1.34 to 1.56 million premises[4] in hard-to-reach areas across the UK by the end of 2025. Combined with suppliers' commercial build, this supports wider targets of 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.[5] Our latest Corporate Plan 2024 to 2025 includes more detail on our delivery profile to 85%. Since the end of the reporting period, coverage continued to grow and reached the 85% milestone in October 2024.[6]

For the year ended 31 March 2024, we achieved the vast majority of our objectives set out in our Corporate Plan 2023 to 2026. This includes exceeding our target to pass at least 125,000 premises over the course of the year by passing 143,900 premises. More detail on how we performed against our objectives is included in the performance analysis section further below.

For the first time, our Gigabit contracts have made a meaningful contribution to Project Gigabit's annual delivery figures. As further contracts are signed and build progresses, even more of our delivery will arise from this intervention. Meanwhile our Superfast contracts and vouchers interventions continued to deliver but will have less of an impact in the future, with Superfast scaling down and vouchers being utilised in a more strategic way to complement Gigabit contracts. GigaHubs continued to provide small-scale, targeted connectivity to schools across the country, giving children the chance to regularly access fast and reliable online services at school for the first time.

The National Infrastructure Commission's most recent assessment report, published in October 2023, continued to highlight the importance of gigabit-capable and mobile infrastructure in improving the UK's economy.[7]

In March 2024, the Infrastructure and Projects Authority (IPA) conducted a review of Project Gigabit and reported that it had made excellent progress since the previous assurance review undertaken in December 2022. The review also noted that the programme continued to align with its time, cost and scope expectations as set out in the approved Programme Business Case. The programme was rated 'amber', indicating that successful delivery is feasible with management of resolvable issues.



[3] *thinkbroadband, March 2024.*

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

[5] *Targets set by the previous Conservative government who were in office during the reporting period of this document.*

[6] *thinkbroadband, October 2024.*

[7] *'Second National Infrastructure Assessment', October 2023.*

# Project Gigabit delivery

**A premises is counted as passed when it is possible to access a gigabit-capable service for the supplier's standard price and be connected in the supplier's standard timescale.**

We count both directly subsidised premises as well as uncommercial premises that were not directly funded but received connections as a result of nearby BDUK-funded projects. As a result, all premises passed figures are estimates based on a combination of raw supplier data and modelled estimates. BDUK's number of premises passed for previous financial years has been updated to account for new higher quality data from vouchers suppliers. We have also made minor methodological changes to improve the consistency of how we count premises across our interventions (that is, we now count both premises that we have directly subsidised as well as premises that we have not directly paid for, but which were delivered

en-route to subsidised premises and that would not have otherwise been commercially delivered). More information can be found in our quality and methodology report and bulletin.[8]

Table 1 shows that in the year ended 31 March 2024, we passed 143,900 premises with gigabit-capable broadband. We delivered fewer premises in the year ended 31 March 2024 compared to the previous year due to the wind down of delivery under the Superfast Broadband Programme. We expect the number of premises passed to increase as more Gigabit contracts are awarded and delivery ramps up.

## Table 1: Premises passed against the Corporate Plan 2024-2025 minimum trajectory

| | April 2025 to December 2025 | April 2024 to March 2025 | April 2023 to March 2024 | April 2022 to March 2023 | April 2021 to March 2022 | Before April 2021 |
|---|---|---|---|---|---|---|
| **Actual premises passed by BDUK interventions** | | | 143,900 | 161,200 | 150,800 | 608,500 |
| **Cumulative** | | | | | | |
| **Cumulative minimum target premises passed for BDUK interventions** | 1,340,000 to 1,560,000 | 1,100,000 to 1,200,000 | 1,000,000 to 1,050,000 | 935,000 | 742,000 | 600,000 |
| **Cumulative actual premises passed by BDUK interventions** | | | 1,064,500 | 920,500 | 759,300 | 608,500 |

Source: BDUK Management Information as of September 2024

# Delivery by intervention

Project Gigabit uses four interventions: Gigabit contracts, Superfast contracts, Gigabit Broadband Voucher Scheme and GigaHubs.

1. **Gigabit contracts:** These interventions are subsidies in the form of contracts awarded to suppliers under our Gigabit Infrastructure Subsidy scheme to build gigabit-capable infrastructure to premises not reached by commercial build plans.

2. **Superfast contracts:** These are contracts targeted at sub-superfast premises under the Superfast Broadband Programme, either extended to deliver gigabit-capable infrastructure, or delivering this as part of the original contract.

3. **Gigabit Broadband Voucher Scheme:** Vouchers are small grants worth up to £4,500 each, 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.

4. **GigaHubs:** These are grants to connect local public services in hard-to-reach areas, such as schools, libraries, and GP surgeries. We are not actively developing new projects given the coverage now being provided through other mechanisms.

Table 2 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 | Total | Premises Passed between April 2023 and March 2024 | Premises Passed between April 2022 and March 2023 | Premises Passed between April 2021 and March 2022 | Before April 2021 |
|---|---|---|---|---|---|
| **Superfast** | 751,700 | 54,900 | 88,800 | 93,300 | 514,600 |
| **Vouchers** | 296,400 | 78,100 | 72,200 | 54,100 | 92,000 |
| **Gigabit contracts** | 11,100 | 10,900 | 200 | 0 | 0 |
| **GigaHubs** | 5,300 | 100 | <50 | 3,300 | 1,900 |
| **Total** | 1,064,500 | 143,900 | 161,200 | 150,800 | 608,500 |

Source: BDUK Management Information as of September 2024

## Case study: First connections from Gigabit contracts; GoFibre in Mickleton, Teesdale

In Autumn 2022, GoFibre was awarded a contract under Project Gigabit to cover around 4,000 premises across Teesdale. As rollout continued throughout the year, the arrival of gigabit broadband in Mickleton was a significant boost for residents and local businesses alike.

The owner of several businesses in the village and Chairman of Mickleton Village Hall, David Hutchinson feels that reliable broadband is essential and will make a big difference to the community. He commented: "The faster speeds will enhance offerings like the cinema club - we can now stream in high definition, offering a wider selection of films." With the nearest cinemas 25 miles away, the improved experience should attract more elderly patrons. "It should give us a real boost," he added.



GoFibre: Mickleton Village Hall connected in March 2024

> ❝ *The faster speeds will enhance offerings like the cinema club - we can now stream in high definition, offering a wider selection of films.* ❞

## Rurality of our subsidies

**Project Gigabit aims to benefit communities across the UK that would otherwise not have access to gigabit-capable connectivity.**

While Project Gigabit is a nationwide programme, a large number of the premises outside suppliers' build plans sit in rural locations. Rural premises are often far from the nearest viable broadband infrastructure, making their delivery too expensive for most suppliers. The Superfast programme showed how building out a fast and reliable broadband network to rural communities helps tackle digital exclusion and rural poverty. Further information on the evaluated benefits of our programmes are accessible through our online Research Portal.[9]

Between April 2023 and March 2024, we passed 132,700 rural premises through our interventions. This means that 92% of premises benefiting from our subsidies were rural, compared to 23% of all premises in BDUK's premises base in the UK being classed as rural.

[9] https://www.gov.uk/government/collections/building-digital-uk-research-portal

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

| | Total | Premises Passed between April 2023 and March 2024 | Premises Passed between April 2022 and March 2023 | Premises Passed between April 2021 and March 2022 | Before April 2021 |
|---|---|---|---|---|---|
| Rural premises | 859,800 | 132,700 | 145,500 | 131,900 | 449,800 |
| % of premises passed by BDUK in the period | 81% | 92% | 90% | 87% | 74% |

Source: BDUK Management Information as of September 2024

### Case study: First connections from Gigabit contracts; Wildanet in Cornwall

This year saw the first homes connected through the Project Gigabit contract being delivered in Cornwall by Wildanet. Some households had faced significant issues with their previous internet


Wildanet: Customer connected in February 2024

connection, which relied on the old copper network. This included Ellen, a stay-at-home mother with a two-and-a-half-year-old, who said "My partner is self-employed and works full-time, making reliable internet crucial for us." She feels fortunate to have access to a new gigabit-capable connection early in Wildanet's rollout and appreciates that the work is being done by a local company with local people.

The benefits of Project Gigabit extend beyond improved internet speeds for individual households, with Wildanet employing local people to work on the project including network design, surveying and partner management, engineering and head office roles being created.

The government has identified that alternative options are likely to be required to provide connectivity to some Very Hard to Reach premises. 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

**Project Gigabit covers areas across the UK and we work closely with the devolved administrations on its delivery in Scotland, Wales and Northern Ireland.**

## Scotland

By 31 March 2024, over 75% of premises in Scotland had access to a gigabit-capable connection.[10]  During the financial year, we passed 24,000 premises in Scotland.

The Scottish Government is the lead organisation for managing local and regional procurements in Scotland. During the year, groundwork was laid by the Scottish Government to launch the first two procurements for Scotland in May 2024, in the Borders and East Lothian area and the Aberdeenshire, Dundee, Angus, and Moray Coast areas. Further procurements are expected to launch in phases throughout the rest of 2024.  BDUK will be the contracting authority for the larger cross-regional framework in central and northern Scotland.

## Wales

There has been a significant improvement in the rollout of gigabit-capable broadband in Wales in recent years, with gigabit coverage increasing from 11% in December 2019 to 70% by 31 March 2024.[11] During the financial year, we passed 5,400 premises in Wales.

We are the lead organisation for delivering Gigabit contracts in Wales. North West Wales, Mid Wales and South East Wales have been included within a call-off under the current cross-regional framework contract. North Wales and South West Wales will be included within a further call-off.

## Northern Ireland

Northern Ireland remains the most connected part of the Union, with over 95% of premises able to access a gigabit-capable connection by 31 March 2024.[12] During the financial year, we passed 21,000 premises in Northern Ireland.

The Northern Ireland Executive is the lead organisation for managing procurements in Northern Ireland. Following the reporting period of this report, the Northern Ireland Department for Economy is aiming to launch a single procurement for Northern Ireland in 2024.



[10] *thinkbroadband, March 2024.*

[11] *thinkbroadband, March 2024.*

[12] *thinkbroadband, March 2024.*

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

| | Total | Premises Passed between April 2023 and March 2024 | Premises Passed between April 2022 and March 2023 | Premises Passed between April 2021 and March 2022 | Before April 2021 |
|---|---|---|---|---|---|
| **All UK** | **1,064,500** | **143,900** | **161,200** | **150,800** | **608,500** |
| **England** | 744,700 | 93,600 | 94,100 | 98,400 | 458,600 |
| **North East** | 25,300 | 5,600 | 3,900 | 4,400 | 11,400 |
| **North West** | 54,700 | 8,100 | 4,500 | 4,300 | 37,900 |
| **Yorkshire and the Humber** | 71,700 | 10,600 | 5,700 | 7,800 | 47,700 |
| **East Midlands** | 78,400 | 13,100 | 7,100 | 9,800 | 48,500 |
| **West Midlands** | 77,300 | 9,600 | 9,500 | 7,900 | 50,300 |
| **East of England** | 139,700 | 9,200 | 21,000 | 25,700 | 83,700 |
| **London** | 9,200 | 100 | 300 | 300 | 8,600 |
| **South East** | 149,600 | 14,100 | 21,000 | 24,000 | 90,500 |
| **South West** | 138,800 | 23,200 | 21,200 | 14,300 | 80,000 |
| **Wales** | 112,200 | 5,400 | 9,100 | 13,000 | 84,700 |
| **Northern Ireland** | 126,000 | 21,000 | 40,200 | 32,600 | 32,200 |
| **Scotland** | 81,500 | 24,000 | 17,700 | 6,800 | 33,000 |

Source: BDUK Management Information as of September 2024

> **A core part of our strategy is to ensure that some of the premises with the slowest broadband connections are among the earliest to benefit from Project Gigabit.**

## Sub-superfast premises passed

**A core part of our strategy is to ensure that some of the premises with the slowest broadband connections are among the earliest to benefit from Project Gigabit.**

Our business case has a specific spending objective to prioritise sub-superfast premises for gigabit-capable connectivity where practical. A significant proportion of our interventions are therefore aimed at premises without access to a superfast connection (<30 Mbps). In 2023 to 2024, 62,400 premises previously receiving speeds below 30 Mbps were passed by our interventions. As we approach nationwide availability of Superfast broadband (97% coverage according to Ofcom's Connected Nations Spring 2024 release[13]), the proportion of premises that BDUK subsidises with previously <30 Mbps connection speeds is likely to decrease.

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

| | Total | Premises passed between April 2023 and March 2024 | Premises passed between April 2022 and March 2023 | Premises passed between April 2021 and March 2022 | Before April 2021 |
|---|---|---|---|---|---|
| **Premises passed by a BDUK intervention that previously had available speeds of <30 Mbps** | 791,300 | 62,400 | 99,700 | 99,400 | 529,800 |
| **% of premises passed by BDUK in the period** | 74% | 43% | 62% | 66% | 87% |
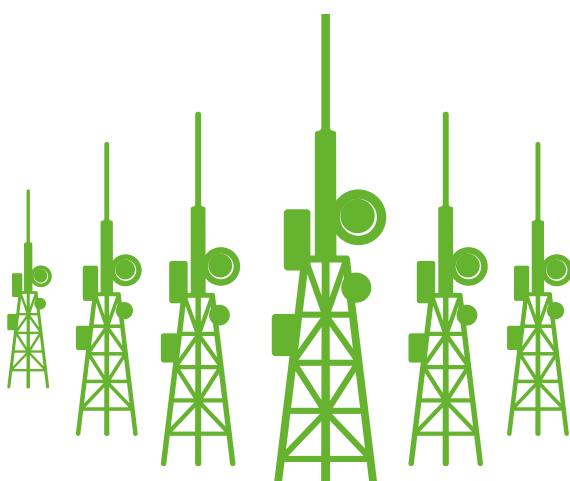
Source: BDUK Management Information as of September 2024

**Note:** A data tables and definitions annex supporting Project Gigabit delivery data used in this report is available online at GOV.UK.[14]

# The Shared Rural Network

Shared Rural Network in numbers[15]
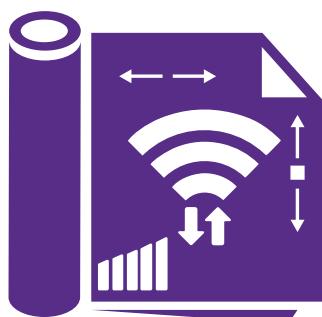
**6 Extended Area Service masts live across England, Scotland and Wales delivering new 4G coverage from 31 March 2024**
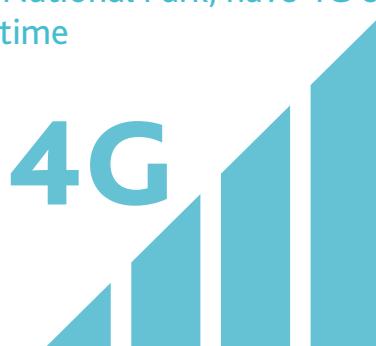
**An extra 15,000 sq km across the UK, almost the size of Northern Ireland, have coverage from all four MNOs since the start of SRN**

**69 Total Not Spot sites in the planning phase from 31 March 2024**

**Over 4,000 sq km, equivalent in size to the Cairngorms National Park, have 4G coverage for the first time**

4G
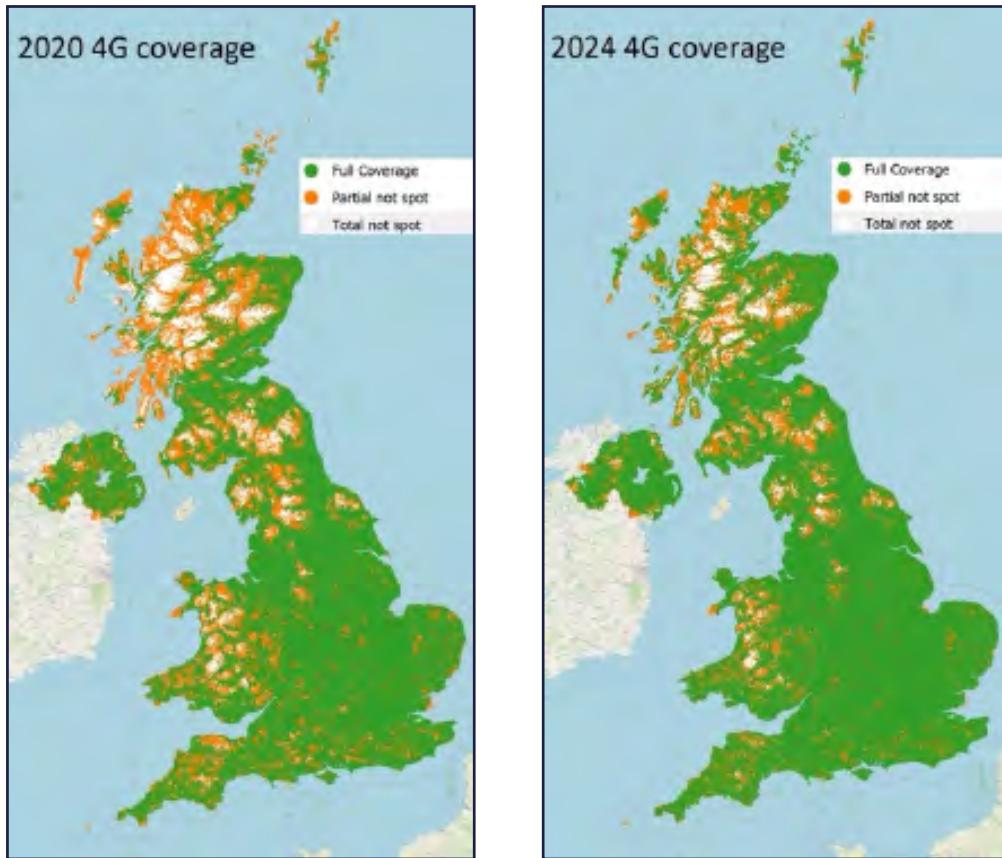
[14] _Supporting information for BDUK's annual report and accounts 2023 to 2024 - GOV.UK_

[15] _For current information, see our online Programme Progress page:_ _https://srn.org.uk/programme-progress_

## Maps showing growth in 4G coverage

The maps below from Ofcom show how 4G coverage has improved since the start of the programme as more rural locations have benefitted from increased 4G coverage.[16]



Through the SRN programme, we are working with the UK's four mobile network operators (MNOs) - EE, Three, VMO2 and Vodafone - 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 so 95% of the UK geography will have coverage from at least one operator by the end of 2025. The programme is making good 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 SRN will help those who live and work in rural communities to achieve their full potential and enable those that visit to have access to vital services, through improved mobile connectivity.

The SRN consists of three separate parts:

1. To tackle Partial Not Spots, areas where there is currently coverage from at least one, but not all, mobile operators, the four mobile network operators are investing in a shared network of new and existing masts. It is a UK-wide intervention.

2. The government is upgrading Extended Area Service masts being built as part of the Home Office's Emergency Services Network. These masts will become usable by all four mobile network operators, improving connectivity in hard-to-reach places across Great Britain.

3. The government is also funding new masts to be shared by the four mobile network operators in Scotland to tackle Total Not Spots, areas where there is currently no coverage from any mobile operator.

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. The programme was designed with Ofcom and the MNOs to develop coverage obligations that reflect the desired coverage outcomes.

The MNOs are incentivised to deliver through these legally binding obligations and there is a range of measures open to Ofcom to enforce these obligations, including the power to issue fines for up to 10% of turnover. Compliance with these obligations is assessed by Ofcom, both at the end of June 2024, by when each operator had committed to have reached 88%

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[16] *Source: Mobile Coverage Obligations from Ofcom, 12 September 2024.*

geographic coverage of the UK (through the Partial Not Spots element of the programme), and in January 2027, when each operator has committed to have reached at least 90% geographic coverage of the UK (through coverage uplifts resulting from the Total Not Spots and Extended Area Service parts of the programme).

In October 2023 several of the MNOs informed us of challenges in hitting their individual June 2024 licence obligations. Since then, in September 2024, Ofcom confirmed that three of the four MNOs met their 88% coverage target by the June 2024 target date. In early November 2024 Ofcom subsequently confirmed that the remaining MNO had also met the 88% target.

In February 2024, the National Audit Office (NAO) published a report on supporting mobile connectivity; we acknowledge its findings and continue to work with MNOs to ensure we address the NAO's recommendations and that the programme is delivered successfully with crucial coverage improvements delivered across rural parts of the country.[18]

On 22 April 2024, following the NAO's report, BDUK and DSIT officials gave oral evidence to the Public Accounts Committee hearing on Supporting Mobile Connectivity, highlighting the significant progress made on the SRN so far. The Department's response to the recommendations made by the committee has been published online.[19]

# Shared Rural Network delivery

**We achieved all our objectives for the EAS element of the programme and the majority of our objectives for the TNS element set out in our Corporate Plan 2023 to 2026. More detail on how we performed against our objectives is included in the performance analysis section further below.**

We have worked with our partners to improve 4G coverage in rural areas throughout the country. The table below shows that 4G coverage across the UK reached 93% in January 2024, an increase from 91% in March 2020 when the SRN agreement was signed.

Since the end of the reporting period, in September 2024 Ofcom announced that coverage reached 94.9%. This indicates that the programme will deliver the overarching 95% coverage target ahead of its target date of December 2025.

## Table 6: Mobile coverage across the UK and nations, 2020 to 2023[20]

| | January 2020 | January 2021 | January 2022 | January 2023 | January 2024 |
|---|---|---|---|---|---|
| **UK 4G landmass coverage** | 91% | 91% | 92% | 92% | 93% |
| **England 4G landmass coverage** | 97% | 97% | 98% | 98% | 98% |
| **Scotland 4G landmass coverage** | 80% | 81% | 82% | 83% | 85% |
| **Wales 4G landmass coverage** | 89% | 90% | 90% | 91% | 92% |
| **Northern Ireland 4G landmass coverage** | 97% | 97% | 97% | 97% | 97% |

[17] *Ofcom's licence obligations commit each individual operator to increase its 4G coverage to 88% of UK landmass by June 2024.*

[18] *'Supporting mobile connectivity', published 22 February 2024.*

[19] *Treasury Minutes – September 2024 - GOV.UK.*

[20] *Source: Ofcom - Connected Nations: Spring Update, published 24 April 2024.*

## Delivery in focus – Upgrading existing masts in Wales

At the end of March 2024, five government funded EAS sites were fully active and delivering a 4G coverage boost to several hard-to-reach places in Wales enabling rural businesses and communities to thrive. Work has been carried out by upgrading existing phone infrastructure, meaning communities can benefit from improved connectivity without the visual impact involved when building new masts. You can read more about the masts in this press release.[21]



# Investment in our programmes

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

### Table 7: BDUK capital grant spend by intervention and programme

| £ million | 2022 to 2023 | 2023 to 2024 |
|---|---|---|
| **Fixed Broadband** | | |
| Gigabit Vouchers | 39.1 | 50.7 |
| GigaHubs | 0.9 | 2.6 |
| Superfast Extension | - | 0.2 |
| Gigabit contracts (GIS) | 3.0 | 33.6 |
| **Total Project Gigabit spend** | **43.0** | **87.1** |
| **Superfast** | **1.4** | **1.6** |
| **Legacy Programmes (LFFN / RGC)** [22] | (1.4) | 1.1 |
| **Mobile** | | |
| **Shared Rural Network** | **1.0** | **3.3** |
| **Total Capital spend** | **44.0** | **93.1** |

[21] https://www.gov.uk/government/news/uk-governments-4g-rollout-signals-end-of-mobile-blackspots-in-rural-wales

[22] *£1.1 million legacy programmes expenditure relates to RGC, a precursor programme to Project Gigabit. It is funded from within the Project Gigabit budget, meaning our accounts will show £88m was spent on Project Gigabit in 2023 to 2024.*

# Risks

**Our delivery plan is challenging, not least as we are operating in a dynamic market environment making our programmes particularly vulnerable to macroeconomic pressures outside of our control.**

As an Executive Agency we have a well-established 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 the year and those we have identified in our Corporate Plan 2024 to 2025.

## Table 8: Strategic risks faced by BDUK with key mitigations

| Risk | Mitigations |
|---|---|
| **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. | • Continued to use and further develop a multi-intervention strategy using various types of procurement, appropriate use of the vouchers scheme, and working with multiple suppliers.<br><br>• Managed our Gigabit contracts closely to ensure accountability for delivery and continued to work closely with suppliers, holding them to account through performance management as needed.<br><br>• Stress tested delivery plans to ensure we were aware of areas for improvement.<br><br>• Implemented opportunities to accelerate the procurement or delivery pipeline, wherever possible, to ensure delivery to target.<br><br>• Maintained up-to-date knowledge of market capacity and pinch-points, to target intervention accordingly.<br><br>• Increased structured encouragement and interaction with local communities to drive demand in areas where vouchers are a useful delivery mechanism. |
| **SRN delivery:** There is a risk that the SRN fails to reach its UK coverage targets due to the complexity of delivery and challenges at a local level. | • Continued to develop the partnership working approach with the mobile network operators.<br><br>• Worked with our partners to improve governance and assurance processes to manage a programme where delivery responsibility is across several organisations.<br><br>• Improved management information flows to more closely monitor progress. |
| **Macroeconomic pressures:** There is a risk to BDUK delivery if our suppliers (either Project Gigabit or SRN 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. | • Closely monitored supplier financial stability and delivery, particularly during Gigabit contract delivery.<br><br>• Worked with partners across government to create the best possible conditions for success.<br><br>• Used our multi-intervention and multi-supplier strategy to reduce the reliance on single routes to market.<br><br>• Developed and tested clear and proactive contingency plans to address supplier failure events. |

| Risk | Mitigations |
|---|---|
| **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. | • Carried out a programme of work to implement improved data architecture.<br><br>• 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.<br><br>• Built our data analysis capability to continue to improve the insight we get from data sources.<br><br>• Began to use increased automation, machine learning and AI to improve the efficiency of processes. |
| **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. | • Continued to make the case to maintain BDUK's funding position and investment needed to deliver.<br><br>• Delivered our People Strategy which addresses challenges around culture, skills and retention, and helps reduce staff turnover in order to maintain expertise and grow talent.<br><br>• Maintained an integrated plan to ensure resources are aligned to priorities.<br><br>• 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 1 April 2023 and 31 March 2024.

## Performance against BDUK's Corporate Plan objectives for the year ended 31 March 2024

This section sets out BDUK's performance in the year ended 31 March 2024 against the associated objectives and sub-objectives outlined within our Corporate Plan 2023 to 2026. 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 2023 to 2024



**MISSION**
Ensure that homes and businesses across the UK can access fast and reliable digital connectivity

1. Deliver gigabit-capable connectivity to homes and businesses outside suppliers' commercial rollout plans

2. Improve mobile internet connectivity for people living, working and visiting remote regions by delivering the SRN programme

3. Make BDUK a great place to work, inspiring and empowering our people to perform at their best

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

5. Develop practical digital solutions to support programme delivery and transform how we use data

Objective 1.1
Objective 1.2
Objective 2.1
Objective 2.2
Objective 3.1
Objective 3.2
Objective 4.1
Objective 4.2
Objective 4.3
Objective 5.1

# Reporting against all objectives and measures in the Corporate Plan

In the Corporate Plan 2023 to 2026, sitting below our five key strategic objectives[23], we set out specific sub-objectives, measures and milestones to achieve in the year ended 31 March 2024. This is the framework we use to analyse our performance. Included below are our results and analysis.

**Results key for the tables below:**

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

## Project Gigabit objectives

## Objective 1: Deliver gigabit-capable connectivity to homes and businesses outside suppliers' commercial rollout plans

1.1     We will provide gigabit-capable connectivity to an increasing number of premises and drive delivery of Project Gigabit targets through:

- Delivering on existing Gigabit contracts, Superfast contracts, voucher projects and GigaHub projects

- Setting up future delivery by managing Gigabit procurements

| 2023 to 2024 Measure | Result |
|---|---|
| Provide gigabit-capable connectivity to 125,000 premises. | Achieved |
| Complete launch of the majority of Project Gigabit procurements in England in line with our quarterly published pipelines.[24] | Achieved |
| Launch first procurements in Scotland, Wales and Northern Ireland. | Partially Achieved |

## Summary of performance

In 2023 to 2024, we passed 143,900 premises, exceeding our target of 125,000 premises. More detail on our interventions and delivery results are included in the Project Gigabit delivery section further above.

We achieved our objective to complete the launch of the majority of Project Gigabit procurements in England in line with our quarterly published pipelines, with all the procurements within the initial pipeline launched by 1 September 2023.

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[23] *Overall strategic objectives included here are from our updated Corporate Plan 2024 to 2025, published 10 April 2024.*

[24] *Based on the current procurement pipeline, there may be further areas in which procurements have not been currently identified as the most appropriate approach.*

In the devolved administrations, the procurement for the cross-regional framework, which covers a significant part of Wales, was launched in July 2023. Although the first procurements in Scotland and Northern Ireland were not launched during 2023 to 2024, progress has been made since then with the Scottish Government launching the first two procurements for Scotland in May 2024 and the Northern Ireland Department for Economy aiming to launch a single procurement for Northern Ireland in 2024.

### 1.2 We will monitor and evaluate our interventions for efficiency and effectiveness to support our strategic decision-making.

| 2023 to 2024 Measure | Result |
|---|---|
| Undertake quarterly voucher pipeline progress reviews with suppliers, agreeing actions to advance delivery where needed. | Achieved |
| Monitor the benefits of our gigabit-capable build as part of the longer-term Project Gigabit evaluation programme, including publishing a Superfast report, GigaHubs report and vouchers report. | Achieved |

# Summary of performance

Under the voucher scheme terms and conditions, suppliers are required to report against their delivery on a quarterly basis. We regularly meet with strategic suppliers to discuss delivery performance and future opportunities.

In the past year we have published several reports evaluating the benefits of our programmes, including a Superfast State Aid evaluation report, BDUK Vouchers Evaluation: Impacts and Value for Money Assessment and BDUK Rural Gigabit Connectivity Hubs Evaluation, these are accessible through our online Research Portal.[25] Evaluations of Superfast and Hubs are ongoing, and we plan to evaluate Project Gigabit more widely in the year ahead as outcomes from our first Gigabit contracts connections emerge.

## Objective 2: Improve mobile internet connectivity for people living, working and visiting remote regions by delivering the SRN programme

2.1      We will work in partnership with the Home Office to make their masts (originally built to support emergency services), available for commercial use too. These Extended Area Service[26] (EAS) site masts will then be available for mobile network operators (MNOs) to upgrade to 4G and make available to use on their networks.

| 2023 to 2024 Measure | Result |
|---|---|
| Launch the first EAS pilot site (the accelerated pilot) and then all remaining pilot sites to test the upgrade of EAS masts and processes. | Achieved |
| Conclude the two outstanding commercial agreements with network support services, WHP and Airwave, to make a minimum of 15 sites available in the EAS project. | Achieved |
| Ensure a minimum of 50 Home Office sites are upgraded in terms of physical infrastructure. | Achieved |

## 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 utilised for commercial mobile coverage too. The first pilot site in Lockerbie went live at the start of April 2023. This is the first fully activated 4G government-funded site and was followed by activation of a further five sites in 2023 to 2024, meaning masts are now live across Scotland, Wales and England. This has allowed the opportunity for processes to be fully tested between BDUK, the Home Office, DMSL[27] and the MNOs, with more sites set to be activated in the year ahead.

In March 2024 an agreement was struck with network support service WHP Telecoms to make a minimum of 15 sites available in the EAS project, and in April 2024, an agreement was also reached with Airwave for up to 46 further sites. These agreements will enable upgrades on S4GI[28] sites and Airwave sites.

Further progress was made in the EAS element of the programme, with a total of 61 sites having their physical infrastructure upgraded by the end of the financial year. This exceeded our target of 50 sites and puts them on the path to activation later in the programme.

[26] *Extended Area Service (EAS) is part of the Home Office's Emergency Services 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 SRN programme.*

[27] *Digital Mobile Spectrum Limited (DMSL), a joint venture of all four mobile operators, coordinates elements of the Shared Rural Network programme and provides reporting and tracking information for the four MNOs and DSIT.*

[28] *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.*

**2.2** We will provide oversight, governance, challenge and guidance to Digital Mobile Spectrum Limited (DMSL) to ensure the successful delivery of the Total Not Spots (TNS) element of the programme including progress on site acquisition, design, site build and communications.

| 2023 to 2024 Measure | Result |
|---|---|
| Receive confirmation of the MNOs' baseline plans for rolling out new masts in rural areas. | Achieved |
| Ensure 119 planning applications have been submitted for TNS sites. | Partially Achieved |
| Complete build of the Funding Platform by which grants will be claimed, enabling more efficient transactions. | Achieved |

## Summary of performance

The MNOs provided their baseline plans for rolling out new masts in rural areas with no coverage. At the end of March 2024, 190 pre-planning applications and 69 full planning applications had been submitted, meaning the target of 119 (full) planning applications was partially achieved. The volume of submissions and resourcing issues with local planning authorities had caused a delay in the review of pre-planning applications and hence impacted the number of full planning applications made. We are working with our delivery partners to ensure the TNS element of the programme remains on track and have set an objective in our Corporate Plan 2024 to 2025 to engage with MNOs to receive their finalised target portfolio of sites to reach the 1% 4G coverage target.[29]

A new funding platform, to facilitate the administration of the Shared Rural Network grant, went live in June 2023. This platform incorporates a 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.

## Operational objectives to support our delivery

## Objective 3: Make BDUK a great place to work, inspiring and empowering our people to perform at their best

**3.1** We will strengthen our capability and capacity by developing our workforce by:
- Recruiting the right people into the right roles, at the right time
- Retain existing expertise through better employee engagement and a commitment to the wellbeing of staff

| 2023 to 2024 Measure | Result |
|---|---|
| Drive towards target headcount by aiming to fill at least 70% of vacancies. | Achieved |
| Improve our employee engagement score (as tracked in the annual Civil Service People Survey) from 66% in 2022 to 2023. | Achieved |
| Support learning and development (L&D) by utilising at least 90% of the available budget for L&D. | Achieved |

[29] *In line with Ofcom's licence obligations and the Shared Rural Network grant agreement, mobile network operators will provide 1% geographic 4G coverage in Total Not Spot areas.*

# Summary of performance

We succeeded in driving towards our target headcount. As at 31 March 2024, we had 317.8 Full Time Equivalent staff comprised of civil servants, fast streamers, Government Commercial Organisation staff and contingent labour. As we progress to the major delivery phase of our programmes, recruitment has been successful in attracting skilled people to fill critical roles, with 91% of vacancies filled.

Our employee engagement score increased from 66% to 68%, as measured by the 2023 Civil Service People Survey. This is a positive trend and compares favourably with other departments, particularly given the Civil Service average was 64% and the downward trend of this metric across the rest of government[30]. Out of 103 organisations that partake in the survey, our 68% engagement score was in the top 20. Our response rate equated to 99%, the second highest response rate of any organisation in the Civil Service. Our other core People Survey metrics improved strongly and are detailed in the corporate performance section further below.

We continue to support learning and development opportunities for staff across all grades. In the 2023 People Survey, our score for this theme increased from 59% to 65%. Our original budget for the year was £350k and total spend was £371k. We were able to afford the additional L&D costs through a contribution from the Government Commercial Organisation for our commercial training.

**3.2    We will strengthen our commitment to develop a positive culture, with clear values to support respect, diversity and inclusion.**

| 2023 to 2024 Measure | Result |
|---|---|
| Champion our values to improve the culture of BDUK. Including regular internal communication and celebrating achievements through our Rewards scheme. | Achieved |
| Develop and launch a new diversity and inclusion strategy. | Achieved |
| Improve diversity and inclusion from the 2022 to 2023 benchmark. | Partially Achieved |

# Summary of performance

In the 2023 Civil Service People Survey, we saw a notable 7% point increase in people who would recommend BDUK as a great place to work. We have developed our internal communications to keep staff aware of events, activities and information and successfully managed a Rewards scheme which credited staff for exceptional work and demonstrating our values. Arising from our transition to DSIT, further activity took place to refresh our rewards policy and process, launching in July 2024.

We launched a new diversity and inclusion strategy in January 2023. Our aim is to build a collaborative culture that promotes diversity and inclusion, and seeks to attract and retain a diverse range of people from all walks of life. Our ambition is to be the most diverse and inclusive organisation across similar sized executive agencies. Implementation of the strategy is now underway and progress is monitored by our People Board.

In the past year we have seen an increase in the number of colleagues who self-report as disabled (1% point increase compared to last year), and also colleagues who identify as lesbian, gay, bisexual, transgender or queer (1.4% point increase). Although we saw a decrease in the number of colleagues recorded from ethnic minority backgrounds (2.2% point decrease), we remain markedly above the civil service average of 14.3% with 21.9%. These are positive outcomes but we want to improve further in all areas of diversity, particularly by increasing gender diversity. Within BDUK, we have 44.8% females (1.9% point decrease).

This data compares to government figures[31] showing that 54.2% of all civil servants are women. Our current diversity declaration rate is approximately 80%. We will continue to encourage staff to share their data and will increase awareness through the implementation of our diversity and inclusion strategy.

[30]  *Engagement fell from 65% to 64% across all government departments.*
[31]  *Civil Service Diversity and Inclusion Dashboard - GOV.UK*

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

**4.1** We will plan and manage resource and capital expenditure to ensure that our spend is within the funding available in 2023 to 2024. We will be an efficient organisation that protects value for money for taxpayers.

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

| 2023 to 2024 Measure | Result |
|---|---|
| Operate within delegated funding limits and in line with DSIT requirements. | Achieved |
| Conduct monthly budget forecast reviews with functions to improve the accuracy of our forecasts. | Achieved |
| Aim to pay 90% of undisputed and valid invoices within 5 days and 100% within 30 days, in accordance with government prompt payment guidelines. | Not Achieved |
| Build financial capability across BDUK by ensuring all Senior Civil Servants have completed budget holder licence training. | Achieved |
| Continuously review supplier cost data through bid and in-life stages to ensure it is in line with the agreed funding envelope and providing value. | Achieved |

## Summary of performance

We stayed within our Delegated Expenditure Limits (DEL) in 2023 to 2024. 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 budgets as confirmed at Supplementary Estimates and outturn.

### Table 9: BDUK Resource funding

| (£ million) | Resource DEL | | | | |
|---|---|---|---|---|---|
| | 2023 to 2024 Budget | 2023 to 2024 Supplementary Estimates | 2023 to 2024 Outturn | Variance to Supplementary Estimates | Percentage Variance |
| Programme resource | 43.8 | 41.3 | 39.8 | (1.5) | (3.6%) |
| **Total resource DEL** | **43.8** | **41.3** | **39.8** | **(1.5)** | **(3.6%)** |

## Table 10: BDUK Capital funding by programme

| (£ million) | Capital DEL | | | | |
|---|---|---|---|---|---|
| | 2023 to 2024 Budget | 2023 to 2024 Supplementary Estimates | 2023 to 2024 Outturn | Variance to Supplementary Estimates | Percentage Variance |
| Superfast | 5.0 | 3.0 | 1.6 | (1.4) | (46.7%) |
| Project Gigabit | 349.2 | 91.6 | 87.1 | (4.5) | (4.9%) |
| Shared Rural Network | 56.3 | 3.3 | 3.3 | - | 0% |
| Legacy Programmes | - | 1.1 | 1.1 | - | 0% |
| **Total capital DEL** | **410.5** | **99.0** | **93.1** | **(5.9)** | **(6.0%)** |

**Notes to tables:**

1. 2023 to 2024 Budget figures are based on SR21 and were included in the Corporate Plan 2023 to 2026
2. 2023 to 2024 Supplementary Estimates figures are based on the Supplementary Estimates revision during the year
3. 2023 to 2024 Outturn figures are based on actual spend
4. Variance is based on difference between Supplementary Estimates and Outturn

### Supplementary Estimates

Our budget was revised at Supplementary Estimates[32] which reduced our capital budget from £410.5 million to £99 million. We transferred £29.5 million capital to other government departments to deliver BDUK priorities, including: £5.4m to the Department for Education to deliver GigaHubs in schools; £16.0 million to the Scottish Government to deliver Superfast Extension premises; and £8.1 million of capital to the Home Office to fund Shared Rural Network delivery. A total of £282 million capital was also released to HM Treasury as this was not required for BDUK delivery in 2023 to 2024.

Our resource budget decreased from £43.8 million to £41.3 million. £1.5 million was transferred to the Home Office to delivery Shared Rural Network priorities and a further £2.3 million of unspent Shared Rural Network funding was released to HM Treasury. An additional £1.3m of budget was delegated to BDUK at Supplementary Estimates for amortisation and to cover DSIT-funded priorities within BDUK.

### Resource spending

Across the year we were able to make £1.5 million in savings. Primarily savings came from reduced business expenses, such as travel and subsistence, reducing our usage of third-party professional services, and ensuring low levels of bad-debt write-off. These savings offset extra non-budgeted costs associated with the Machinery of Government change, estimated at £1.6 million for the year.

### Capital spending

Capital spend was £5.9 million below budget, primarily due to reprofiling Project Gigabit procurements to adapt to increased commercial coverage. The surplus funding was released at the earliest opportunity to HM Treasury to be used elsewhere across government. Our forecasting accuracy has increased significantly over the 2023 to 2024 financial year, with our final outturn representing less than 4% variance from our capital forecast at the mid-year point (6% from the Supplementary Estimates budget).

### Performance of other financial measures

An established process is in place for monthly budget reviews with Deputy Directors to ensure budgets are well managed and forecasting is more accurate. Potential financial risks are tracked and monitored at those forums, and management actions needed to mitigate risks arising are also identified and agreed.

In accordance with government prompt payment guidelines, we aim to pay 90% of undisputed and valid invoices within five days and 100% within 30 days. In the year ended 31 March 2024, we paid 77% of invoices within five days and 97% within 30 days (annual average rate). Our rates are below our target, but we are working within the business to address controllable issues to improve our performance. This work includes: raising awareness of the importance of these targets across the business; working directly with individuals to reduce instances leading to missed targets; and

[32] https://www.gov.uk/government/collections/hmt-supplementary-estimates

a planned move to a new finance system which will reduce response times by automating manual processes. In comparison to DCMS rates published for 2023 to 2024, we were 1% lower on payment within five days and 7% higher on 30 days. DSIT has not published any results to compare against.

We achieved our objective to continuously review supplier cost data. We do this as part of our ongoing business operations to ensure it is in line with the agreed funding envelope and providing value.

**4.2 We will build on solid foundations to continuously improve governance and compliance, embedding best practice across the organisation.**

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

| 2023 to 2024 Measure | Result |
|---|---|
| Complete BDUK's risk improvement plan to ensure risk management maturity increases, evidenced through internal audit. | Achieved |
| Deliver the annual counter-fraud action plan to continuously improve fraud risk control and assurance. | Achieved |
| Maintain compliance with the new UK Subsidy Control Act 2022. | Achieved |

# Summary of performance

Risk monitoring, understanding and engagement has improved in the year 2023 to 2024. The Government Internal Audit Agency (GIAA) carried out a risk review that was very positive with only a few further areas for improvement. These areas have been consolidated into the next iteration of our Risk Improvement Plan.

We have also delivered our annual counter-fraud action plan which represents continued improvement in how we identify and control the risk of fraud and error.

We have published and continue to review our guidance on subsidy control across all programmes in light of changes to the regulatory environment and changes to the design of our programmes.

Further details on risk, counter fraud, subsidy control, governance and other areas of internal control are included in the Accountability Report.

**4.3 We will build trust through providing strong service levels and transparent reporting.**

| 2023 to 2024 Measure | Result |
|---|---|
| Deliver our first Annual Report and Accounts. | Achieved |
| Respond to 90% of ministerial correspondence within 20 working days. | Not Achieved |
| Respond to all formal complaints from suppliers/customers within 20 working days in line with our complaints procedure. | Achieved |

# Summary of performance

In November 2023, we were pleased to publish our first Annual Report and Accounts for the year 2022 to 2023.[33] The process is now embedded for the production of future year's accounts and is now an annual business as usual activity.

BDUK does not control the system for processing ministerial correspondence; we work closely with our sponsor department to ensure that correspondence allocated to BDUK is responded to in a timely fashion. During Q1 and Q2 2023, when BDUK was part of DCMS, 88% and 86% of ministerial correspondence was responded to within 20 working days. In August 2023, as part of Machinery of Government changes, administration of BDUK correspondence was transferred from DCMS to DSIT. Challenges from this transition led to fewer cases being responded to within 20 days, meaning we did not achieve our target. We are working closely with the DSIT correspondence team to improve processes for tracking correspondence and sharing information between DSIT and BDUK, to ensure that responses to correspondence are issued in a more timely fashion.

In line with BDUKs complaints procedure, all complaints were responded to within 20 working days. Our complaints process follows, and is subject to, the Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling.

## Objective 5: Develop practical digital solutions to support programme delivery and transform how we use data

5.1    We will maintain, develop and create digital tools and platforms to strengthen operational delivery of our interventions.

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[34], as well as opportunities to optimise the mix of interventions.

| 2023 to 2024 Measure | Result |
|---|---|
| Enhance our data capability, improving data analytics to support decision-making across the organisation. Achieved with the implementation of the BDUK Data Backbone - a platform to support the consistent use of reliable data sources. | Not Achieved |
| The Digital Data and Technology (DDaT) team works across the organisation to develop technology solutions that address business requirements. This includes development of the Funding Platform and executing BDUK's domain change from our sponsor department, providing us with greater access to the tools and data we need. | Achieved |
| Enhance our data culture, encouraging an environment of 'data first' thinking and practice through the implementation of a coordinated strategy and workstreams. This includes leading teach-ins and technical workshops across the organisation and monitoring feedback through questionnaires. | Achieved |

[33] https://www.gov.uk/government/publications/building-digital-uk-annual-report-and-accounts-2022-to-2023

[34] An Intervention Area is the geographical area that we have assessed as eligible for support from our interventions

# Summary of performance

In April 2023, we launched the BDUK Data Backbone project, aiming to establish coordinated and homogenised data as a service to the whole of BDUK. This is an opportunity to improve how data is stored, governed and used across the business, with stronger coordination across the organisation, encouraging a culture of best practice. The work will increase resilience against data losses, data corruption and security vulnerabilities. While full implementation was not achieved by the year end, delivery has commenced and we have set an objective in our latest Corporate Plan to complete delivery by the end of March 2025.

Our Digital, Data and Technology team continues to deliver on priority digital solutions addressing BDUK's requirements. The Funding Platform is now live and a direct interface between the Funding Platform and our data storage service, Google Cloud Platform, is operational, eliminating previous processing delays and enabling more data to be analysed sooner. The BDUK domain was also successfully transferred from DCMS to DSIT.

A culture of 'data-first' thinking within BDUK remains a priority, ensuring that data becomes central to our decision-making processes. We have launched a data training programme for staff as a continuation of last year's cross-government 'One Big Thing', a scheme to enhance data capability across the Civil Service providing bespoke data training for all levels of users. We have also established a Data Board to govern data decisions across BDUK.

# Corporate performance

In our second year as an executive agency, we have firmly established our governance structure and processes, while focussing on building up our digital and workforce capabilities as we entered the significant delivery phase of our major programmes. The year ended 31 March 2024 has also been a year of change as we worked closely with our new sponsor department, DSIT, to enable a smooth transition following our move from DCMS in February 2023.

## People
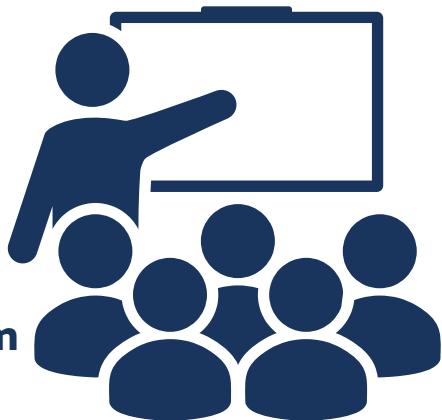
**317.8** **FULL TIME EQUIVALENT (FTE) STAFF IN POST**
(also includes Government Commercial Organisation, fast streamers and contingent labour) at 31 March 2024

**£276K** spent on Learning and Development with an additional £95k contribution from Government Commercial Organisation

**68%** employee engagement score
Top 20 across government

### Table 11: BDUK FTE levels

|  | At 31 March 2024 |
| --- | --- |
| Full Time Equivalent staff [35] | 317.8 |

[35] *Includes Government Commercial Organisation, fast streamers and contingent labour.*

# Our People Survey results

**My Team**
↑ **88%**
86% in 2022

**My Manager**
↑ **81%**
79% in 2022

**My Work**
↓ **78%**
80% in 2022

**Learning & Development**
↑ **65%**
59% in 2022

**Engagement**
↑ **68%**
66% in 2022

## Our People Survey Results

**Resources & Workload**
↑ **77%**
73% in 2022

**Organisational Objectives**
↑ **93%**
92% in 2022

**Pay & Benefits**
↓ **25%**
33% in 2022

**Leadership & Change**
↑ **64%**
63% in 2022

**Inclusion & Fair Treatment**
↓ **84%**
85% in 2022

The People Survey acts as a benchmark across government to track our employees' experiences working at BDUK. Compared to the prior year, the response rate to the 2023 survey increased from 90% to 99%. Our overall engagement score increased by two percentage points this year from 66% to 68% (4% higher than the Civil Service Benchmark). Taking into consideration the level of change BDUK has experienced over the last 12 months, this is an incredibly positive response.

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

**Learning and development increased from 59% to 65%.** This was largely driven by positive responses to employees being able to access the right learning and development opportunities. BDUK had a healthy Learning and Development budget to build on capability across the organisation. In particular, the focus on ensuring that staff had access to the professional skills required to carry out their job effectively and with confidence helped achieve an 11 percentage point increase of people who feel that Learning & Development completed whilst in BDUK is helping to develop their career and 5 point increase in people agreeing that it has helped improve their performance.

**Resources and Workload increased from 73% to 77%.** There was a significant increase in employees feeling that they had the right tools to conduct their job effectively.

My Team increased from 86% to 88%. This year we have seen a 7 percentage point increase in the number of people who feel BDUK motivates them to help achieve its objectives. There was also an 8 point increase of staff who agreed that they have clear work objectives. Further, there was a notable 7 point increase in people who would recommend BDUK as a great place to work.

The only significant decrease in 2023 to 2024 was in questions related to pay and benefits, decreasing from 33% to 25%. 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. Pay has now been aligned with the old Department for Business, Energy and Industrial Strategy pay scales, and came into effect in January 2024 (following the completion of the People Survey). This led to an average pay uplift of 5.2% for BDUK staff.

# Engagement with key stakeholders

It is important that we continue to have strong engagement with the public, parliament, local authorities, and suppliers.

We have continued to publish regular updates on the progress of our programmes. This year, we awarded 22 contracts to 10 suppliers, and have marked these through media announcements and social media content. We also work closely with all contracted 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 continued to produce regular newsletters for local councils and partners, meet with local councils and send 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.

In addition, we ran exhibition stands at key stakeholder conferences such as Connected Britain and Connected North, as well as supporting contracted suppliers with attendance at numerous public-facing events.

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 DSIT's performance. In 2023, DSIT responded to 50% of cases within the 20 day deadline.[36] There was no further breakdown to measure BDUK's response rates.

To keep parliamentarians well informed of our progress, we held quarterly MP drop-in events in Westminster where all MPs were invited to talk with BDUK officials about Project Gigabit and the Shared Rural Network in their constituency.

Under the terms of the Shared Rural Network's grant agreement, our delivery partner for the Shared Rural Network, DMSL, is responsible for leading the engagement with stakeholders, keeping them abreast of its progress and facilitating the installation of new masts across Scotland. We support DMSL with its engagement, and this has included working with the John Muir Trust coalition and meeting with the Highland Council to discuss the programme.



[36] *Freedom of Information statistics: annual 2023 bulletin, published 24 April 2024.*

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# Sustainable development report

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

## Sustainable procurements and social value

All procurements under our Gigabit contracts scheme incorporate requirements in line with environmental, social and governance best practice in ethical sourcing.

All suppliers bidding for Gigabit contracts have to pass the supplier selection questionnaire as part of the procurement process. This includes confirming their commitment towards achieving Net Zero by 2050 and providing a Carbon Reduction Plan (CRP) as set out in the government's Procurement Policy Note 06/21.[37]

Suppliers are also required to re-confirm compliance with these standards annually.

For the SRN programme, in the grant agreement there are also requirements for annual social, economic and environmental reporting on matters such as: management of supply chains, skills, training and apprenticeships and environmental protection. There is also a focus from our delivery partners on investigating, where possible, sustainable power solutions close to planned infrastructure.

### Social value in focus: Arts Education Charity given gigabit broadband boost

SPUD, an innovative arts education charity based in Sway, New Forest, has experienced a dramatic transformation thanks to the introduction of gigabit-capable broadband. Thanks to the £13.7 million Project Gigabit contract being delivered by Wessex Internet, SPUD's workshops, studios, and galleries now benefit from fast, reliable internet connectivity.

This upgrade has revolutionised the charity's operations, enabling them to support a wider range of digital initiatives, including video projects and virtual collaborations with artists worldwide. The improved connectivity has also enhanced communication and coordination for SPUD's diverse programmes, which engage young people, marginalised individuals, and community groups in art, design, ecology, and architecture.

The impact of this digital transformation extends far beyond SPUD's immediate operations. The enhanced broadband has elevated SPUD's events by enabling the display of digital art and video installations. This partnership exemplifies how strategic investments in digital infrastructure can empower local organisations, foster community engagement, and drive cultural and economic growth in rural areas.

Mark Drury, Director of SPUD and a Fellow of the Royal Society of Arts, emphasised the significance of this digital upgrade and its social value:

"Improved, high-speed connectivity will help those working at the SPUDWORKS base in Sway to work on a range of digital initiatives, especially audio and visual work. It also allows us to video conference with partners and artists around the world and bring our work to a wider audience."



(L to R): James Elliott, film maker; Nick Cloke, Sponsorship Manager for Wessex Internet; Mark Drury FRSA, Director of SPUD.

> **" *It also allows us to video conference with partners and artists around the world and bring our work to a wider audience.* "**

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

# Supporting climate adaptation and environmental improvements

**In August 2023 we published an Environmental Resource Guide to support both mobile network operators and broadband suppliers in meeting relevant standards.**

We are currently working on a Benefits Improvement Plan; to improve the aggregation of data, and monitoring and reporting of benefit realisation. This includes evidence and learnings from environmental and social value reporting commitments across our delivery programmes. We also plan to publish our evaluation plans for both SRN and Project Gigabit, illustrating our commitment to assess the environmental impact resulting from our programmes and the onward use of the connectivity delivered.

## Sustainability in focus: Environmental Resource Guide

With no single narrative on environmental matters relevant to telecommunication infrastructure, we developed an Environmental Resource Guide to support environmental and climate adaptation delivery approaches. This includes existing and recent best practice information for England and ensures our delivery partners are informed and aware of any key changes. We expect this guide, amongst other leading approaches by the telecoms sector itself, to enhance and improve environmental awareness and delivery practice.

*"The BDUK environmental resource guide is our bible! It is so helpful to our day-to-day work and I share it with all our sub-contractors to ensure they are informed and up to speed with wider requirements and processes related to digital infrastructure rollout."*

**Amanda Pennington**
**Positive Impact and Community Liaison Manager, Wildanet**

We continue to review improvements in the services and delivery of our programmes with environmental and net zero benefits in mind. Some examples include:

- Collaboration with policy colleagues on cross-sector infrastructure planning[38]

- Barrier busting strategies, including shared use of infrastructure and resilience networks

- Supporting government research on digital infrastructure impacts

- Learnings from Digital Connectivity Forum[39] on net zero approaches

- Evaluation of the impacts of BDUK programmes. For example, our vouchers impacts and value for money assessment showed a reduction in carbon emissions due to reductions in travel, with the median household reducing their travel by 50 miles per week.[40]  There was also a reduction in energy usage in workplaces, with vouchers leading to a net reduction of 2,500 tonnes CO2e per annum.

# Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are part of the 2030 Agenda, a package of goals aimed at securing an end to poverty and promoting peace and prosperity globally.[41]  The UK government is delivering the SDGs via HM Government's existing planning and performance frameworks. We align with our parent department to support achieving SDG 8: decent work and economic growth, and SDG 9: industry, innovation and infrastructure.

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[38] *Includes recommendation 25, 27 and 28 of the National Infrastructure Commission 2nd Assessment 2023: https://nic.org.uk/studies-reports/national-infrastructure-assessment/second-nia/, accessed July 2024.*

[39] *https://www.connectivityuk.org, accessed July 2024.*

[40] *'BDUK Vouchers Evaluation: Impacts and Value for Money Assessment', published 20 September 2023.*

[41] *United Nations: Department of Economic and Social Affairs: 17 Sustainable Development Goals.*

# Greening Government Commitments

BDUK's main offices in Manchester and London remained within the DCMS estate in 2023 to 2024. In addition, we have staff based in satellite offices including Cardiff, Darlington, Edinburgh and Belfast.

We continue to mirror the commitments outlined by DCMS and are forming ways of future working with our new parent department, DSIT, in respect of Greening Government Commitments (GGC).

# Sustainability disclosures[42]

The tables below include data on our sustainability and environmental impacts of our organisational operations in our London office[43] (scope 1 and 2 emissions) and travel taken by BDUK staff. It does not include impacts from our programmes (scope 3 emissions - supply chain), but does include the minimum requirement on scope 3 business travel emissions, excluding accommodation emissions.[44]

This information is provided by DCMS, either derived from the BDUK accounts or systems (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. Prior year figures have been restated where more accurate apportionments could be calculated.

## Table 12 - Greenhouse gas emissions

| | | | | 2022 to 2023 | 2023 to 2024 |
|---|---|---|---|---|---|
| **Scope 1 - Direct GHG emissions** | Non-Financial Indicators (tCO2e) | Total gross emissions: Scope 1 | | 0 | 0 |
| | | Emissions from: | Gas | 0 | 0 |
| | | | Oil | 0 | 0 |
| | | | Fuel (including LPG) | 0 | 0 |
| | | | Other | 0 | 0 |
| **Scope 2 - Energy indirect emissions** | Non-Financial Indicators (tCO2e) | Total gross emissions: Scope 2 | | **27** | **18** |
| | | Emissions from: | Electricity | 27 | 18 |
| **Scope 3 - Official travel emissions** | Non-Financial Indicators (tCO2e) | Total gross emissions: Scope 3 (rail and flights) | | **22.25** | **27.4** |
| | | Disaggregated by category: | Domestic | 22.06 | 27.1 |
| | | | International | 0.18 | 0.32 |
| **Scope 1 & Scope 2** | Non-Financial Indicators - Related Energy Consumption (kWh) | Total Electricity | | 95,885 | 83,771 |
| | | Electricity | Renewable | 0 | 0 |
| | | | Non-Renewable | 95,585 | 83,771 |
| | | Gas | | 60,518 | 77,057 |
| | | LPG | | 0 | 0 |
| | | **Other** | | 0 | 0 |
| **Scope 1, Scope 2 & Scope 3** | Financial Indicators (£'000) | Expenditure on energy | | 0 | 0 |
| | | Expenditure on accredited offsets | | 0 | 0 |
| | | Expenditure on official domestic and international business travel (includes rail and flights for both years) | | 158.1 | 194.9 |

Note: Data on financial indicators for Scopes 1, 2 and 3 is not available from DCMS. There is a difference in the expenditure published for the 2022-2023 annual accounts and current calculations for that year. The 2022 to 2023 rail travel was £151.4 (000s), whereas £113.6 was disclosed. No flight costs were required in the 2022 to 2023 published accounts.

[42] *In accordance with HM Treasury Sustainability Reporting Guidance 2023 to 2024, published July 2023.*

[43] *Due to availability of data.*

[44] *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 | 2023 to 2024 |
|---|---|---|---|---|
| Non-Financial Indicators (tonnes) | Total waste disposed | | 1,549 | 3 |
| | Hazardous waste disposed | | 0 | 0 |
| | Non-hazardous waste disposed | Landfill | 0 | 0 |
| | | Recycled | 1,004 | 2 |
| | | ICT waste recycled, reused and recovered (externally) | 0 | 0 |
| | | Composted | 0 | 0 |
| | | Incinerated with energy recovery | 545 | 1 |
| | | Incinerated without energy recovery | 0 | 0 |
| Financial Indicators (£) | Total waste disposal cost | | 0 | 0 |
| | Hazardous waste disposal cost | | 0 | 0 |
| | Non-hazardous waste disposal cost | Landfill | 0 | 0 |
| | | Recycled ICT waste recycled, reused and recovered (externally) | 0 | 0 |
| | | Composted | 0 | 0 |
| | | Incinerated with energy recovery | 0 | 0 |
| | | Incinerated without energy recovery | 0 | 0 |

Note: Data on financial indicators for waste disposal is not available from DCMS.

## Table 14 – Finite resource consumption

| | | | 2022 to 2023 | 2023 to 2024 |
|---|---|---|---|---|
| Non-Financial Indicators (m3) | Water consumption (Office estate) | Supplied | 224 | 178 |
| | | Abstracted | 0 | 0 |
| | | Collected | 0 | |
| | Water consumption (Non-office Estate) | Supplied | 0 | 0 |
| | | Abstracted | 0 | 0 |
| | | Collected | 0 | 0 |
| Non-Financial Indicators (Number of reams of paper) | Paper consumption - A4 | Supplied | 0 | 0 |
| | Paper consumption - A3 | Supplied | 0 | 0 |
| Financial Indicators (£'000) | Water Supply costs (Office estate) | | 0 | 0 |
| | Water Supply costs (Non-office estate) | | 0 | 0 |
| | Paper costs (A4 & A3) | | 0 | 0 |

Note: Data on non-financial indicators for paper consumption, and financial indicators for water and paper is not available from DCMS.

## Table 15 - GGC Sub-Targets (Ultra-low and zero emission vehicles & Air travel)

| | | | | 2022 to 2023 | 2023 to 2024 |
|---|---|---|---|---:|---:|
| **Ultra-low and zero emission vehicles** | Non-Financial Indicators (#) | Total Vehicles (Owned, Hired & Leased) | | 0 | 0 |
| | **Non-Financial Indicators (%)** | % of vehicles categorised as Ultra Low Emission Vehicles (ULEV) | | 0 | 0 |
| **International Air Travel (scope 3)** | Non-Financial Indicators (tCO2e) | Disaggregated by category | Long-haul flights | 0 | 0 |
| | | | Short-haul flights | 0.18 | 0.32 |
| | Non-Financial Indicators (km) | Total: Distance travelled by international business flights | | 5,229 | 28,142 |
| | | Disaggregated by category | Long-haul flights | 0 | 0 |
| | | | Short-haul flights | 5,229 | 9,072 |
| | | **Disaggregated by class** | Economy | 5,229 | 9,072 |
| | | | Premium Economy | 0 | 0 |
| | | | Business | 0 | 0 |
| | | | First | 0 | 0 |
| | Non-Financial Indicators (# purchased) | **Number of international flights** | Long-haul flights | 0 | 0 |
| | | | Short-haul flights | 3 | 6 |
| **Domestic Air Travel (scope 3)** | Non-Financial Indicators (tCO2e) | Emissions from domestic business flights | | 1.16 | 2.19 |
| | Non-Financial Indicators (km) | Distance travelled by domestic flights | | 32,749 | 61,930 |
| | Non-Financial Indicators (#) | Number of domestic flights | | 58 | 96 |
| **Rail travel (scope 3)** | Non-Financial Indicators (tCO2e) | Emissions from rail travel | | 20.9 | 24.9 |
| | Non-Financial Indicators (km) | Distance travelled by rail | | 589,408 | 702,705 |
| | Non – Financial Indicators (# purchased) | Number of rail tickets | | 1,351 | 1,764 |

Note 1:   BDUK had no owned/leased vehicles during the year.

Note 2:   Domestic air travel flights includes UK destinations only, International air travel short-haul flights includes European destinations excluding UK only and International air travel long-haul flights includes worldwide destinations excluding UK only and Europe only.

Note 3:   Rail travel data provided by our parent department is likely to be overestimated as it does not calculate rail tickets that were not activated, or only taken in part. We will endeavour to make any corrections for future reports.

# Other reporting requirements

**Reducing emissions from Information and Communication Technologies (ICT) and Digital** – Most of our information, communications and technology, and digital services are provided by DSIT, but where applicable we partner with DCMS and DSIT to ensure a robust approach to Greening Government: ICT and Digital Services Strategy[45].

In 2023 to 2024, three major digital and technology projects, including the Data Backbone project, were assessed against HMT Government Technology Code of Practice[46], with priorities including sustainability, reduced environmental impacts, increased energy efficiency. All these projects received approval from the Integrated Corporate Services Assurance team on behalf of the Central Digital and Data Office (CDDO) and DSIT.

We have also established a Digital Assurance Board and migrated its data operations to a self-managed instance of its cloud platform. This allows us to monitor and report on our carbon footprint performance using both market-based and location-based emissions metrics, facilitating the identification of areas for improvement and optimisation.

This proactive approach underscores BDUK's commitment to sustainability and environmental stewardship.

**Rural proofing** - Our programmes deliver coverage to rural communities and businesses. See the performance overview section above for more details.

**Sustainable construction and refurbishments** - The estate which we occupy is the responsibility of the Government Property Agency who conduct all construction and refurbishment work, therefore refer to GPA GGC reports for more information.

**Nature recovery** - DSIT is responsible for any bio-diversity action plan. We do not own any landholdings or natural capital.

**Taskforce on climate-related financial disclosures[47]** - This does not apply to BDUK for 2023 to 2024 because we have less than 500 full-time employees and our total operating income (including grants-in-aid) was less than £500 million. We are developing an environmental sustainability strategy which will support governance, strategy and risk management, metrics and targets in BDUK, in line with this disclosure.



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45  *Greening Government ICT and Digital services strategy 2020 to 2025 policy paper, published in 2020.* https://www.gov.uk/government/publications/greening-government-ict-and-digital-services-strategy-2020-2025/greening-government-ict-and-digital-services-strategy-2020-2025, *accessed July 2024.*

46  *The Technology Code of Practice* https://www.gov.uk/guidance/the-technology-code-of-practice#:~:text=The%20Technology%20Code%20of%20Practice%20(TCoP)%20is%20a%20cross%2D,your%20technology%20projects%20or%20programmes, *accessed July 2024.*

47  *Taskforce on climate-related financial disclosures application guidance -Phase 1 and 2, March 2024.* https://www.gov.uk/government/publications/tcfd-aligned-disclosure-application-guidance/task-force-on-climate-related-financial-disclosure-tcfd-aligned-disclosure-application-guidance, *accessed July 2024.*

# Looking ahead

**Following the general election in July 2024, we are working with the new Labour government to deliver its agenda, continuing our mission to ensure that homes and businesses across the UK can access fast and reliable digital connectivity.**
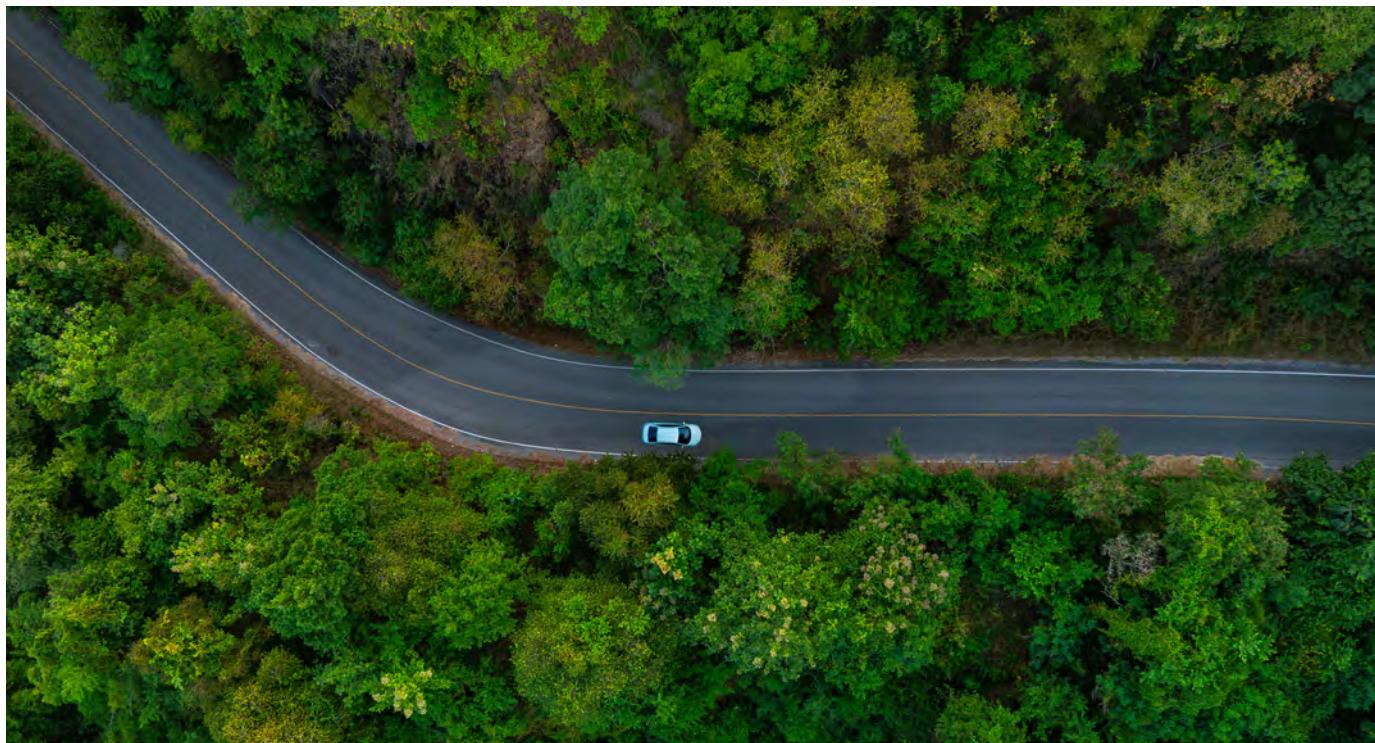
Both of our major programmes will ramp up implementation over the course of the next year to build the infrastructure that the nation needs, now and in the future – and particularly for those people living in, working in and visiting hard-to-reach areas. Our Corporate Plan 2024 to 2025 set our key strategic objectives in the year to 31 March 2025, outlining how we will achieve our coverage targets for both Project Gigabit and the SRN.

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.

**Dean Creamer CBE**
**BDUK Chief Executive Officer**

**Date: 9th December 2024**



> **"**
> *...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...* **"**

# Accountability Report

# Corporate governance report

This report covers the operating period from 1 April 2023 to 31 March 2024, 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 to progress the Government's digital infrastructure programmes. In April 2022 we were established as an executive agency. As an arm's length body, we can focus on delivery of our core mission and have the autonomy and scrutiny we need to make this a success.

BDUK falls under the responsibility of the Secretary of State for Science, Innovation and Technology, the Principal Accounting Officer is the Permanent Secretary for the Department for Science, Innovation and Technology.

For the period of this report BDUK has been under the portfolio of the Minister of State for Media, Data, and Digital Infrastructure. This position was held by Julia Lopez other than May to December 2023 where it was held by Sir John Whittingdale whilst Julia Lopez was Minister on Leave.

**Simon Blagden (CBE)** was appointed as permanent chair of BDUK in August 2022 and served as chair throughout the period. Simon resigned his role in July 2024. Hazel Hobbs was appointed as interim chair from 1st September 2024. A campaign to recruit a permanent chair will be launched in Autumn 2024.

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. Paul left BDUK in September 2023.

**Dean Creamer** joined BDUK as CEO and SRO in September 2023. Prior to joining BDUK, Dean was the DCMS Director and SRO for the Commonwealth Games. Previously, Dean led programmes to improve digital connectivity in cities as Programme Director for the Super Connected Cities initiative and before this, worked on preparations for the Olympic games in 2012. Dean is a graduate of the government's Major Projects Leadership Academy and was the Head of Profession for Project Delivery within DCMS since 2017.

**Jonathan Clear** joined BDUK as Chief Financial and Operating Officer in June 2023 leading the finance and corporate services functions within BDUK. Jonathan has spent the last 11 years of his career in senior roles in the Department for Work and Pensions, Ministry of Justice, and Department for Education where he was a member of the Departmental Board and executive. Jonathan is a qualified accountant and until recently was also a non-executive member of the Audit, Risk and Assurance Committee for His Majesty's Courts and Tribunals Service.

**Martyn Taylor** joined BDUK in November 2021 as Chief Commercial Officer. 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:**

**Simon P. Blagden CBE** was appointed as the first permanent chair of BDUK in August 2022. Simon has 35 years' experience in the IT, Telecoms and Digital industry. He was previously non-executive Chairman at Fujitsu Telecommunications Europe, a post he held for 14 years. His career began at GEC where he was International Commercial Manager. In 1991, he joined Quante AG as UK Managing Director and then joined the main board in 1995 as CEO, managing operations worldwide. In 2000 he joined Spescom in Johannesburg as CEO to head up its international telecoms and IT business. He continues to serve as non-executive Chair Larkspur International, a management consultancy firm. Simon is also non-executive director of the UK Health Security Agency (UKHSA) Advisory Board.

**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 project leadership programmes for government. She is also a regular reviewer of the highest risk Government major projects and an Associate Adviser for the Infrastructure and Projects Authority (IPA).
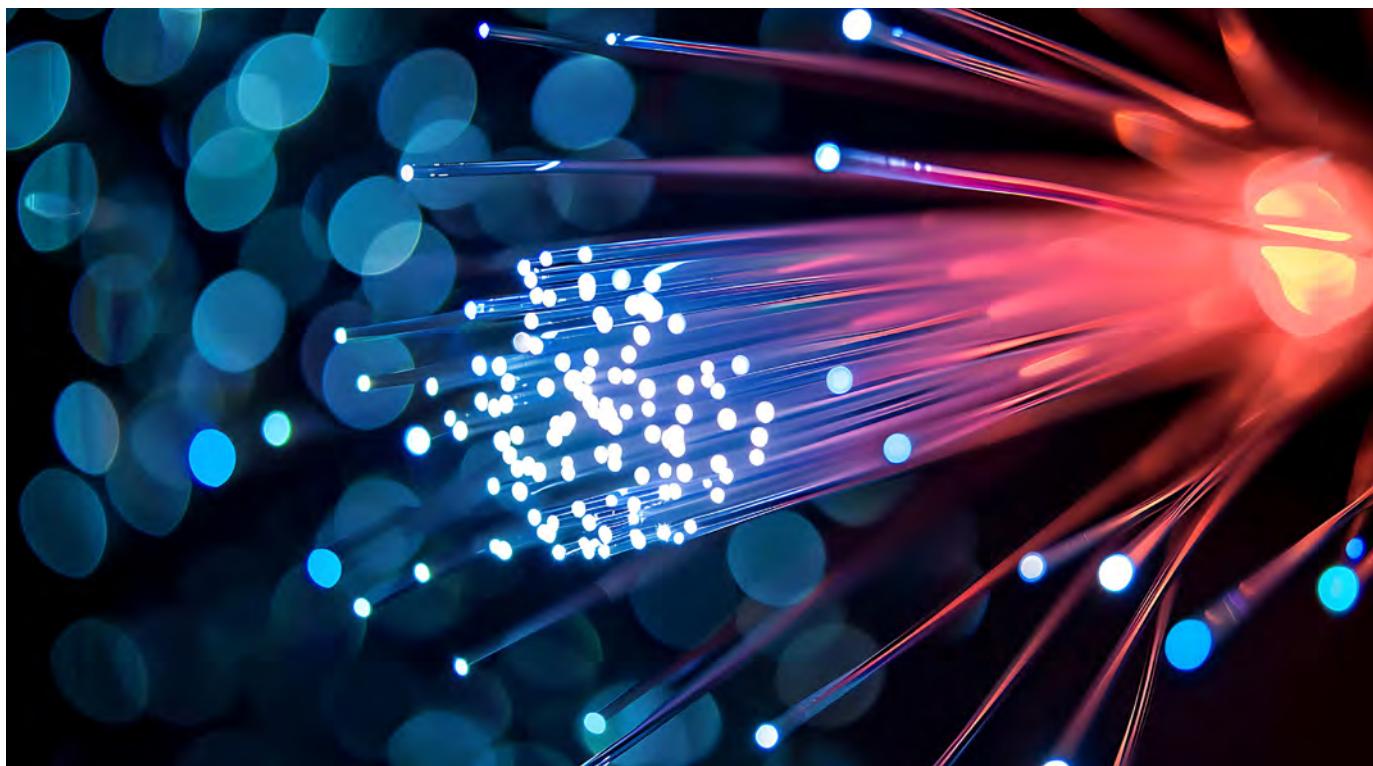
**Fiona Driscoll** was appointed as non-executive director in January 2023. Fiona is an experienced Independent Director, Chair, Audit Chair and Committee member including as Chair of the Health Improvement Network National Committee, Chair of the National Cancer Research Institute (NCRI) and a Trustee 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 and is a Member of HM Treasury's Major Programmes Review Group. Fiona has also Chaired Women on boards, and the City Women's Network.

**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. Imran sat on the BDUK Board until September 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.

**Sarah Connolly** was appointed as Director for Digital Infrastructure for the UK Government in January 2024. Prior to this, Sarah was Director for Security and Online Harms from May 2019, having spent six months as Acting Director Internet and International and, prior to that, a year as DD Internet and International. Before this, Sarah worked on international issues at the Home Office, and the Foreign and Commonwealth Office.

**Meirion Nelson** was appointed as a permanent member of the BDUK Board in March 2023 acting as a representative of the finance function from the parent department.



# 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:
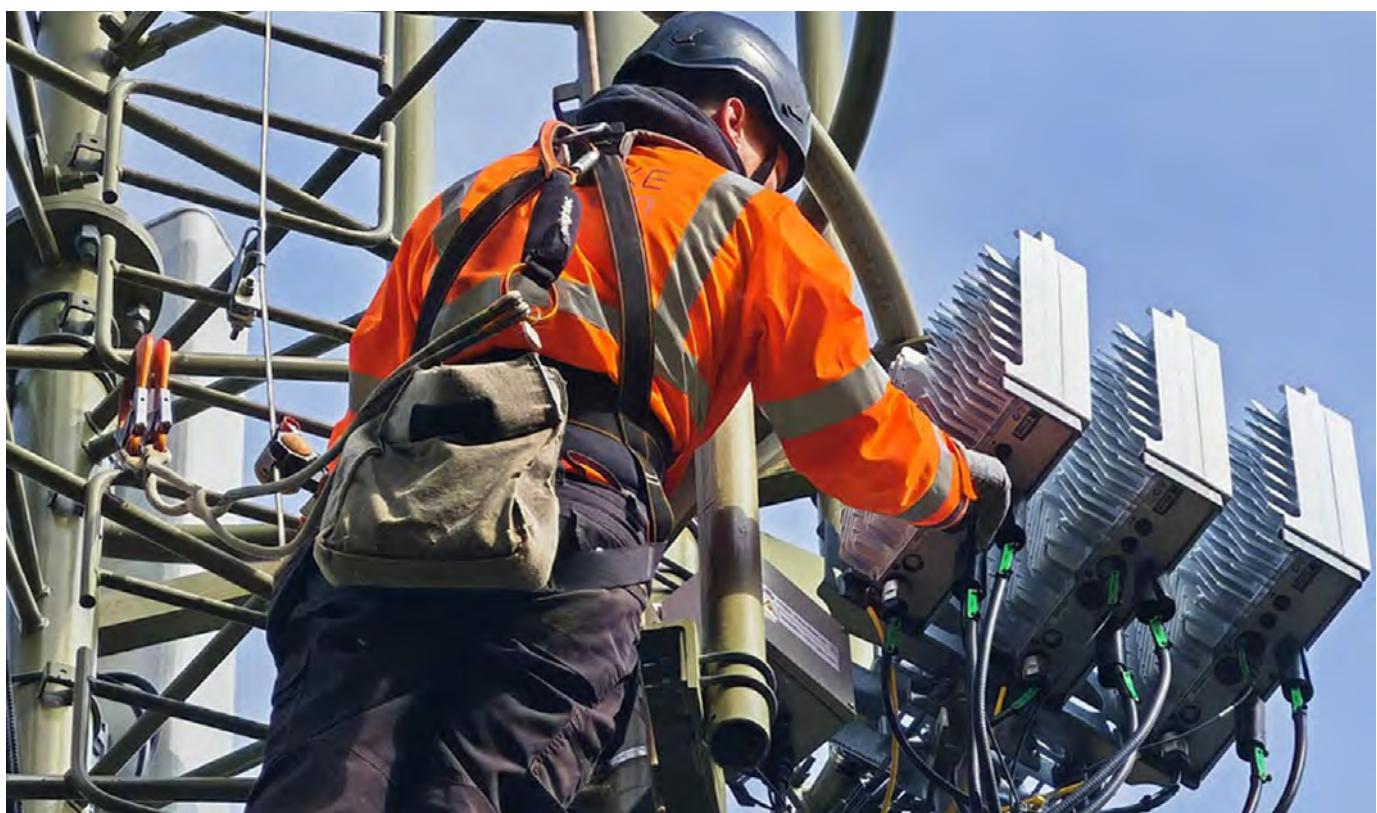
- observe the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basismake judgements and estimates on a reasonable basis

- 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 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 2024, the BDUK accounting officer has been accountable to the Secretary of State and the Permanent Secretary of DSIT 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. I also confirm that the Annual Report and Accounts are fair, balanced and understandable, and I take personal responsibility for judgements made to ensure that they are fair, balanced and understandable.

**Dean Creamer CBE**
**BDUK Chief Executive Officer**

# 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 part of this reporting year falls before my appointment. 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

2023 to 2024 was BDUK's second year as an executive agency and we have therefore sought to continuously improve our core governance and internal control functions with a focus on supporting major programmes which have this year moved into the delivery phase. We have made good progress as evidenced by internal audit and our own reviews against Government functional standards and other commitments.

As an executive agency independent of the department, we need to ensure we are rigorous in our internal control and governance. Our non-executive level governance has matured and provides scrutiny and advice we need to meet the challenges we face. This year we have made some changes to our executive level governance to support effective decision making and delegation.

We have developed an appropriate system of second line assurance as well as oversight through the three lines of defence. A GIAA audit found BDUK's assurance methodologies provided appropriate activities at the most significant stages of each of our programmes. This was an important part of Project Gigabit procurement activities which made huge progress during 2023 to 2024.

Risk management processes are well embedded across our programmes, as evidenced by a positive GIAA audit on programme risk management. The major risks we face are discussed at every meeting of the BDUK Board and our Programme Boards and we are building a strong and transparent risk management culture to ensure we take decisions which are aligned with our appetite.

This year has not been without challenges, and these have tested our system of internal control. For example, the transition of BDUK information technology and corporate systems from DCMS to DSIT has been an additional area of work which has impacted on all staff and has taken time to implement. We have also seen small number of information security issues which, although not major in terms of their impact, have highlighted areas of control weakness which we have needed to address.

Looking ahead we will need to ensure our internal control processes can scale appropriately as BDUK delivers digital infrastructure on the ground across the whole of the UK.

> "This year we have made some changes to our executive level governance to support effective decision making and delegation."

# Corporate governance

**As an executive agency under the sponsorship of DSIT, BDUK is 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, DSIT. BDUK's working relationship and lines of accountability with DSIT 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 DSIT sponsor team and DSIT corporate governance. These reviews help ensure active engagement and a transparent relationship with our parent department.

## The BDUK Board

The BDUK Board is an advisory board. 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 regularly discusses reports provided by BDUK and features key discussions on programme delivery and risk.

For the reporting period, the BDUK Board comprised the following members:

• BDUK Chair (non-executive)
• Three non-executive directors
• BDUK Chief Executive
• BDUK Chief Financial and Operating Officer
• BDUK Chief Commercial Officer
• Sponsor Department Finance Director
• Sponsor Department Digital Infrastructure Director
• A non-voting independent board advisor

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.

In establishing our governance arrangements, we applied the principles of the  Corporate Governance in central government departments: code of good practice, and we comply with the code (to the extent that it is relevant to BDUK as an executive agency). During the reporting period, the BDUK Board undertook an effectiveness review, and following this, improvements have been made to how this board operates.

For the reporting period, 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 several executive level decision making boards set up this year to ensure decisions are made efficiently and effectively.

## Audit and Risk Assurance Committee

The ARAC 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 committee consists of two non-executive board members, three independent members, and one DSIT appointee. The chief executive, the chief finance and operating officer and the chief commercial officer are expected to attend as the executive representatives. Meetings are also 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 2023 to 2024 included data risk, counter fraud, the pace of Gigabit delivery in devolved administrations, the SRN programme, and risks created by the organisation's transition to DSIT. Additionally, the committee discussed progress against risk management and assurance maturity. The committee generally meets every other month. Six meetings were held during 2023 to 2024.

## Finance and Commercial Committee

The Finance and Commercial Committee met once during the year to scrutinise BDUK's forecasting process. The committee included representation from BDUK and DSIT finance and commercial teams.

## People and Development Committee

The People and Development Committee met three times during the year to advise the BDUK Board on how best to optimise the engagement, productivity and impact of the BDUK workforce. Key discussions in 2023 to 2024 included the diversity and inclusion strategy, the gender pay gap, and development opportunities offered by BDUK. The committee has also focused on collecting stronger data to support decision making on people matters.

## Table 16: Attendance for financial period 1st April 2023 to 31st March 2024

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 11 board meetings were held between 1st April 2023 to 31st March 2024)

| Non-executive board members and independent advisors | | |
|---|---|---|
| **Name** | **Role** | **Meetings attended** |
| **Simon Blagden CBE** | Chair | 11/11 |
| **Hazel Hobbs** | NED | 10/11 |
| **Fiona Driscoll** | NED | 9/11 |
| **Stephen Unger** | NED | 11/11 |
| **Steve Robertson** | Board independent advisor | 9/11 |
| **Attendees from the executive team** | | |
| **Name** | **Role** | **Meetings attended** |
| **Paul Norris** | CEO | 4/5 |
| **Dean Creamer** | CEO | 6/6 |
| **Jonathan Clear** | CFO and COO | 8/9 |
| **Martyn Taylor** | CCO | 10/11 |
| **Attendees from DSIT** | | |
| **Name** | **Role** | **Meetings attended** |
| **Imran Shafi (or delegate)** | Director for Digital Infrastructure | 4/9 |
| **Sarah Connolly** | Director for Digital Infrastructure | 1/2 |
| **Meirion Nelson** | Deputy Director - Finance Business Partnering, Technology & Corporate, DSIT | 11/11 |

**Audit and Risk Assurance Committee attendance**

| Non-executive board and independent members | | |
|---|---|---|
| **Name** | **Role** | **Meetings attended** |
| **Hazel Hobbs** | NED | 6/6 |
| **Fiona Driscoll** | NED | 4/6 |
| **Steve Robertston** | Board independent advisor | 4/6 |
| **Anna Caffyn** | Group Finance Director – HMT (since the reporting period, Anna has taken up a role as Finance Director for the Environment Agency.) | 6/6 |
| **Daron Walker** | Director of Smart Metering and NZBI Delivery Portfolio - DESNZ Independent member of the ARAC | 5/6 |
| **Attendees from the executive team** | | |
| **Name** | **Role** | **Meetings attended** |
| **Paul Norris** | CEO | 1/2 |
| **Dean Creamer** | CEO | 3/4 |
| **Jonathan Clear** | CFO and COO | 5/5 |
| **Martyn Taylor** | CCO | 5/6 |
| **Attendees from DSIT** | | |
| **Name** | **Role** | **Meetings attended** |
| **Meirion Nelson** | Deputy Director - Finance Business Partnering, Technology & Corporate, DSIT | 6/6 |

**People and Development Committee attendance**

| Non-executive board and independent members | | |
|---|---|---|
| **Name** | **Role** | **Meetings attended** |
| **Stephen Unger** | NED | 3/3 |
| **Simon Blagden** | Chair | 2/3 |
| **Attendees from the executive team** | | |
| **Name** | **Role** | **Meetings attended** |
| **Paul Norris** | CEO | 1/1 |
| **Dean Creamer** | CEO | 1/2 |
| **Jonathan Clear** | CFO and COO | 3/3 |
| **Martyn Taylor** | CCO | 3/3 |
| **Attendees from DSIT** | | |
| **Name** | **Role** | **Meetings attended** |
| **Helen Mills** | HR Director, DSIT | 1/3 |

**Finance and Commercial Committee attendance**

| Non-executive board and independent members | | |
|---|---|---|
| **Name** | **Role** | **Meetings attended** |
| **Steve Robertson** | Board independent advisor | 1/1 |
| **Fiona Driscoll** | NED | 1/1 |
| **Attendees from the executive team** | | |
| **Name** | **Role** | **Meetings attended** |
| **Jonathan Clear** | CFO and COO | 1/1 |
| **Martyn Taylor** | CCO | 0/1 |
| **Dean Creamer** | CEO | 1/1 |
| **Laura Battisegola** | Deputy Director for Commercial | 1/1 |
| **Debbie Asbury** | Deputy Director for HR and Finance | 1/1 |
| **Attendees from DSIT** | | |
| **Name** | **Role** | **Meetings attended** |
| **Meirion Nelson** | Deputy Director - Finance Business Partnering, Technology & Corporate, DSIT | 0/1 |

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

# Risk management

**The principal risks we faced during this operating year are detailed in our Performance Report. We have continued to invest in risk management and our risk monitoring, understanding and engagement has continued to improve.**

GIAA carried out a review of programme risk management which confirmed 'substantial assurance' and identified areas of good practice as well as a few areas for continued improvement. These have been consolidated into a risk development plan, building on progress made in the year 23/24 and outlining areas of focus over the next 12 months.
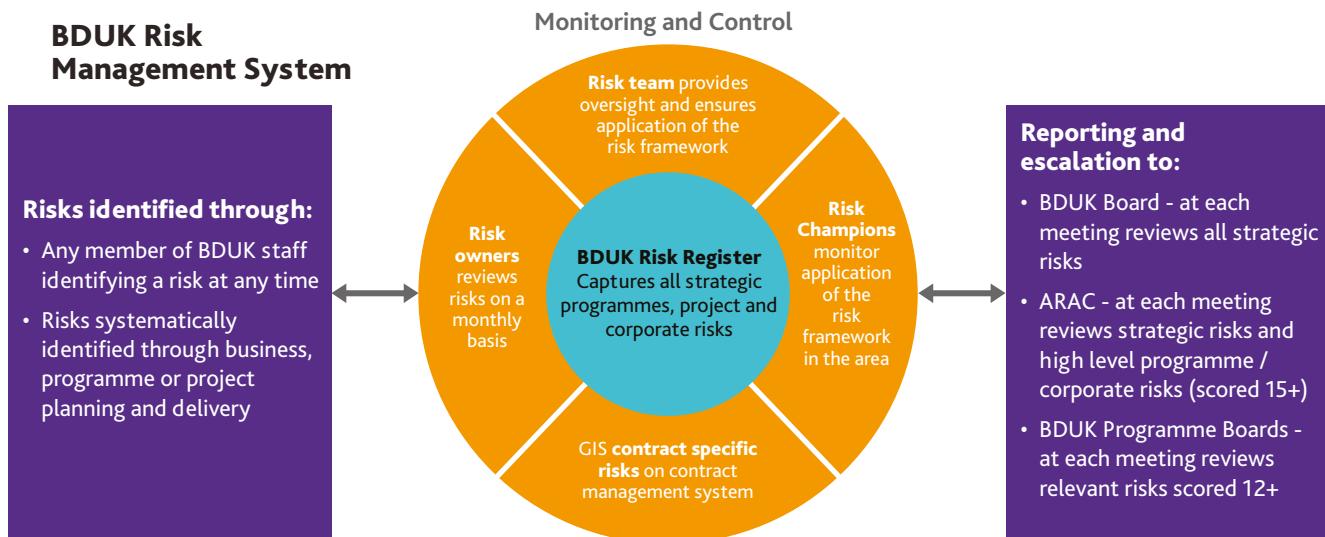
**Our risk development plan focusses on four key objectives:**

1) Strengthen risk identification, monitoring and reporting

2) Cultivate a positive risk culture within BDUK

3) Enhance our central risk management and reporting tool

4) Enhance BDUK's agility and resilience for a changing delivery and political landscape

We continue to use and develop our risk management policy and framework established at the end of 2021, to drive strategic decision making. This is founded on best practice, and the HMT Orange Book. We have also enhanced our reporting to the senior leadership team, BDUK Board and Audit and Risk Assurance Committee to assure members that risks to delivery are being effectively identified and managed in line with our organisational risk appetite.

Consistent application of the policy for the period under review, has enabled, for example:

- improved reporting and prioritisation of strategic risks. A formal review of strategic and high level corporate/programme risks takes place at each ARAC and BDUK Board meeting. Risk owners are required to review their risks monthly, supported and assured by the central risk team and/or the risk champion within their business area

- improved consistency, transparency and collaboration to mitigate systematic cross-cutting risks facilitated by the central risk team. This includes risks which relate to programme delivery, and specific areas/contracts through which we delivery Project Gigabit

- establishing Risk Review Boards for our major programmes, to provide scrutiny and challenge and help ensure risks are being actively managed

- an improved culture of risk management across BDUK. Regular workshops are run by the central risk team to ensure risks are identified and managed, and to explain BDUK's risk management process and tools

- capability building across a network of risk champions who ensure that good risk management practice and processes are consistently embedded across BDUK

## BDUK Risk Management System



**Monitoring and Control**

**Risks identified through:**
- Any member of BDUK staff identifying a risk at any time
- Risks systematically identified through business, programme or project planning and delivery

**Risk team** provides oversight and ensures application of the risk framework

**Risk owners** reviews risks on a monthly basis

**BDUK Risk Register** Captures all strategic programmes, project and corporate risks

**Risk Champions** monitor application of the risk framework in the area

GIS **contract specific risks** on contract management system

**Reporting and escalation to:**
- BDUK Board - at each meeting reviews all strategic risks
- ARAC - at each meeting reviews strategic risks and high level programme / corporate risks (scored 15+)
- BDUK Programme Boards - at each meeting reviews relevant risks scored 12+

# Control activities

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

## Governance framework and arrangements

Our framework document 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 undertake effectiveness reviews annually 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. A high-level review of compliance has been carried out across all standards. Our self-assessment established that BDUK had at least 'good' compliance with every standard. During 2023/4 we carried out a more detailed assessment against the project delivery functional standard and worked with the Public Sector Fraud Authority (PSFA) to assess our compliance with the counter fraud functional standard. Best practice in both of these areas is important for BDUK and we were pleased to find a positive level of compliance with only a few areas for improvement, this is covered in more detail later in this report.

## Assurance maturity and integration

BDUK operates a three lines of defence assurance model aligned to the areas of most significant risk. With BDUK being focussed on ensuring success in the delivery of its programmes and projects there is a preference for clarity in control, assurance, governance and accountability as well as strong oversight and reporting of progress. During 2023/4 we have focussed on ensuring our assurance framework meets the needs of digital infrastructure programmes in delivery, providing scrutiny and oversight but not creating inefficiencies or slowing progress.

The BDUK risk and assurance map was updated in December 2023 and reviewed by ARAC. The mapping illustrates how the various assurance mechanisms available mitigate against strategic risks. The BDUK three lines of defence model is outlined in figure 1, this shows a high-level map of the enterprise assurance system in BDUK.

**BDUK Assurance 3 Lines of Defense**

**BDUK Board**

**Project Gigabit Programme Board or SRN Programme Board**

**National Audit Office Reviews (NAO)**

**Infrastructure and Projects Authority (IPA)**

**Public Accounts Committee (PAC)**

| | **1st Line** | **2nd Line** | **3rd Line** |
|---|---|---|---|
| **What is it?** | The first line of defence is carried out by those in charge of **management** of a programme/project. Responsible for evaluation of risks; design and management of checks and controls to mitigate these risks; delivery, liaison, engagement | **Independent,** objective, impartial assurance reviews who are removed from the delivery of the programme.<br>• Gives the SRO a layer of confidence by providing independent challenge to those involved with the management and delivery of programmes<br>• Undertakes a 'birds eye' review of projects<br>• Supports the development of controls by recommending actions, conditions and mitigations to ensure necessary steps are taken to protect public money<br>• Defines escalation routes for contentious issues<br>• Monitors compliance and effectiveness of processes<br>• Alerts management to emerging risks | **External** and objective assessment of risk, governance and controls framework. Proactive evaluation of controls. Advise on control strategy and design |

**Outputs / Areas Involved**

- Corporate plan and programme plans
- Programme Boards
- Business case approvals (internal)
- Functional Assurance
- Budget management & financial control
- Commercial, procurement and contract management controls
- Local Delivery Leads
- Portfolio, Programme and Project Delivery Standards

| Corporate governance: | Areas involved / Internal controls: |
|---|---|
| BDUK Board, SLT<br>Corporate & Strategic Risk Management<br>Risk and Audit Committee<br>Change and Operations Board<br>Finance and Commercial Committee<br>2nd Line Programme and Project Assurance<br>DCMS Commercial | Legal Advice and oversight<br>Fraud strategy & case management<br>Financial oversight<br>Subsidy control<br>Date security & business continuity plans<br>Date Protection Manager<br>Health & Safety, environmental management |

- Internal Audit strategy & plan TBC (GIAA)
- Cabinet Office Controls
- GIAA
- HMT Approvals (business cases)
- Government Digital Services
- DCMS oversight (MPC & EB)
- Sponsorship Team
- DCMS Tier 2 reviews
- Spending Review
- GMPP Reporting
- MPRG
- Ofcom Connected Nations

**Responsibility for Risk Management** → **Independence from Management**

**Figure 1: BDUK Three Lines of Defence model**

Our risk appetite indicates a level of 2nd and 3rd line assurance is needed around project delivery, which must be proportionate to the risks faced. There is significant assurance provided through:

- governance in the first and second lines of defence, including programme boards and business case approvals

- substantial commercial, procurement and contract management controls

- 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. Table 17 illustrates the assurance checkpoints carried out in the reporting period

- third line assurance from Cabinet Office (including commercial controls), the Infrastructure and Projects Authority, and scrutiny from the Public Accounts Committee

- as a major government programme, Project Gigabit was subject to an Infrastructure and Projects Authority Stage Gate 0 Strategic Review in March 2024. The review returned an overall confidence assessment of Amber and noted excellent progress since the last Gate 0 assurance review undertaken in December 2022. The key areas for improvement included data; training and knowledge sharing for local delivery leads and contract managers; and options to address the very hard to reach

- SRN assurance has been provided through second line support to the Programme Board and engagement with commercial and commercial finance. We also take assurance from the work Digital Mobile Spectrum Limited (DMSL) undertake on our behalf and the quality of the insight we get from DMSL has improved significantly this year.

## Table 17: Volume of Second Line Assurance Checkpoints Carried out 23/24

| Programme | Checkpoints Total | Checkpoint B0/FNP A | Checkpoint B1/ FNP B | Checkpoint B2 | Checkpoint C | Checkpoint E | Checkpoint F1 |
|---|---|---|---|---|---|---|---|
| **GIS** | 60 | 2 | 10 | 21 | 27 | - | - |
| **Superfast** | 48 | - | - | - | | 36 | 12 |
| **Gigahubs** | 10 | 1 | - | - | 2 | 7 | - |
| **FNP** | 46 | 2 | 3 | - | 38 | - | 3 |

## Subsidy Control

To ensure compliance with subsidy control regulations (under a combination of the Trade and Cooperation Agreement with the EU and 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 on the BDUK website as the Detailed Overview.

For Project Gigabit this means comprehensively capturing supplier data via the Open Market Review and Public Review processes, with review from the Subsidy Control Team, to ensure we have a clear understanding of where the market is failing. The outcomes of these processes are then shared publicly and feed into the design of intervention areas for gigabit delivery; compliance of network design; and, importantly, wholesale access arrangements. The latter feed into an annual review process to make sure suppliers are maintaining access and pricing requirements. Finally, all individual awards over £100,000 are published on the HMG Subsidy Control database.

## 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 as it is for any government subsidy or grant scheme.

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 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 to estimate underlying levels in key areas of spend, which to date has been the Gigabit Broadband Voucher scheme.

Our counter-fraud and compliance discipline has seen substantial improvements during the course of the year, including:

- training for members of the Counter Fraud and Investigations team, several who have completed the Public Sector Fraud Authority (PSFA) Fraud Risk Assessor Programme. This has equipped the team with the formal training on how to conduct and manage fraud risk assessments, according to the PSFA Fraud Risk Assessment discipline. Participants were also enrolled as members of the Government Counter Fraud Profession, a first for BDUK

- building a positive working relationship with the PSFA BDUK was selected as one of the first organisations to undergo the PSFA's Continuous Improvement Assessment Framework and Functional Standard Assurance process to assess compliance with the Government Functional Standard 013: Counter Fraud. An interim assessment has been received, and a follow up review will be conducted in Autumn 2024

- highlights from the initial assessment include the Governance standard being assessed as "best" in terms of BDUK counter fraud provision and the "better" assessment for the proactive detection and measurement standard, acknowledging the extensive fraud and error audit processes in place relating to the Voucher Scheme. Building on this success, these processes are being expanded to include GIS payments in the new financial year

- progressing compliance investigations referred through fraud and error controls. Improved controls have driven an increase in referrals, and we have been able to progress 10 cases to final determination. We have recovered £82,750 through our investigations this financial year and expect this to increase in 2024/5 as more cases reach a conclusion

- the Counter Fraud team submitted quarterly Consolidated Data Returns (CDR) to the Cabinet Office. These included all fraud and error data across all BDUK schemes and the outcomes of Compliance Investigation cases. In comparison to FY 2022/23, there has been an increase in detected fraud and error figures, reflecting an increase in Compliance Investigation cases progressing to determination. Whilst there has been a decrease in recovered fraud and error values in FY 2023/24, in comparison to FY 2022/23, it is anticipated that this will increase in the new financial year as payment plans for concluded cases are implemented.

This financial year saw further developments in the delivery of proactive fraud and error auditing on the Gigabit Voucher Scheme, a significant area of spend which our Fraud Risk Assessment identifies as medium/high risk. Following the implementation of the new funding platform, the audit has continued to establish assurance of controls, detect any control failures, refer concerns regarding non-compliance or suspected fraud, and identify opportunities to improve controls in BDUK.

0.6% of the sampled transactions during 2023/4 were confirmed to be irregular with 0.2% (£3,500) being classified as Supplier Error and 0.4% (£8,282) being classified as Official Error. 0% were classified as Suspected Fraud. For the cases specifically identified as part of our audit work the main causes of error identified included:

- business vouchers progressing to payment without adequate evidence demonstrating the business trades from the voucher address

- voucher beneficiaries no longer being in contract with the supplier despite the 12-month minimum requirement

We have been able to estimate the underlying level of fraud and error across two financial years and a sample size of 1,008 transactions. The outcome of this work is that we estimate the level of fraud and error in the scheme to be 0.6% of which 0.4% is supplier error, 0.1% is official error and 0.1% is suspected fraud. The overall level of underlying fraud and error in the

vouchers scheme for 2023/24 is therefore estimated to be £341,488 (based on spend of £56,914,814). This aligns with the total detected error figure from the 2023/24 Consolidated Data Return indicates that there was £367,733 of detected error in the financial year.

The above estimate is an indicator of our potential exposure to fraud and error during 2023 to 2024. In future years Project Gigabit contracts will come to represent a significant, and 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 ARAC during the year, but none reached the threshold of being reportable to the Information Commissioner's Office. The most significant "near misses" were around the BDUK 'Funding Platform'. Given this was a relatively new system considerable work has been undertaken both to respond to weaknesses as they were discovered, but also to undertake a design review of the platform to assure ourselves of its quality of implementation and integrity.

BDUK received a single complaint to the ICO, relating to a supplier who believed that BDUK had mishandled their personal data during a compliance investigation. The ICO asked BDUK to ensure that employees were receiving annual training, but otherwise indicated their satisfaction with the actions taken by BDUK and declined to pursue further action.

We continued work to ensure BDUK complies with the UK General Data Protection Regulation 2018 and the Data Protection Act 2018. This has included developing and improving our records of processing activities and register of data sharing agreements, enhanced Privacy by Design controls, and rolling out Privacy and Electronics Communications Regulations (PECR) training for Engagement and Public Information teams. The move to from Google Suite to Microsoft 365 has provided an excellent opportunity to enhance BDUK's knowledge and information management practices, supporting good digital hygiene. Additionally, work is at an early stage to develop guidance and governance for future AI development, enabling BDUK to move swiftly but safely forward in exploring new technologies. There are procedures in place to manage the risk of protected personal data-related incidents.

BDUK is alert to the enhanced cyber security risks faced in government today and is taking measures in response to this, working with the National Cyber Security Agency as appropriate.

**The key information security activities this year were:**

- the development of appropriate access management processes. BDUK is working towards a "zero trust" set up with regard to exposure to Bring Your Own Device (BYOD) and undetectable data exfiltration

- the development and implementation of a 24/7 Security Operations Centre. Further work is required to extend this to all BDUK systems, and plans are being developed to do this

- continued support around the most high-risk vectors within BDUK, and work with partners to both respond to emerging issues but also enhance developer practices around security and architecture

Additionally, 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.

## 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. Our target is to respond to complaints within 20 working days.

This process is separate from complaints made in relation to our specific procurements which are dealt with according to procurement processes. It is also separate to other pieces of correspondence from MPs and members of the public, which are processed by DSIT.

During 23/24, we received four complaints under our complaints procedure. Three were addressed within 20 working days. The complaints related to the allocation of Project Gigabit contracts and the validation of voucher projects and funding in specific areas. One complaint was more complex in nature and we responded to the complainant within 20 days to explain that further investigation would be required. We sent a full response after 26 days. 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 2023 to 2024. We continued to maintain standards and implement best practice and fully adopt our parent department's policy on gifts, hospitality,

bribery and corruption. The 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 2023 to 2024 BDUK adhered to the DCMS Whistleblowing Policy and made every effort to ensure that the policy and associated guidance was made available. There were four instances of whistleblowing under this policy in 2023 to 2024, related to suspected gigabit broadband supplier non-compliance. Of these four, two have been resolved, one has been escalated to investigation and one is currently undergoing preliminary enquiries. In 2024 to 2025, we will introduce our own raising a concern and whistleblowing policy.

## 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 monitor performance against our 1% forecasting accuracy target.

This year there were internal audits on SRN grant administration and forecasting, with a moderate rating provided for each. These audits gave assurance that our processes are currently satisfactory, with suggested improvements quick to implement within the relevant teams. An internal audit was also conducted of our Gigabit Infrastructure Subsidy scheme's payment process, which returned a limited opinion. Findings confirmed that the current process is fit for purpose based on the current GIS scale, but needs rapid change to keep up with the anticipated pace of demand over coming years. As a result a multi-disciplinary team formed of subject matter experts from across BDUK is looking to identify and implement key changes over the 24/25 financial year.

## 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 2023 to 2024 audit programme with GIAA, the following areas were considered:
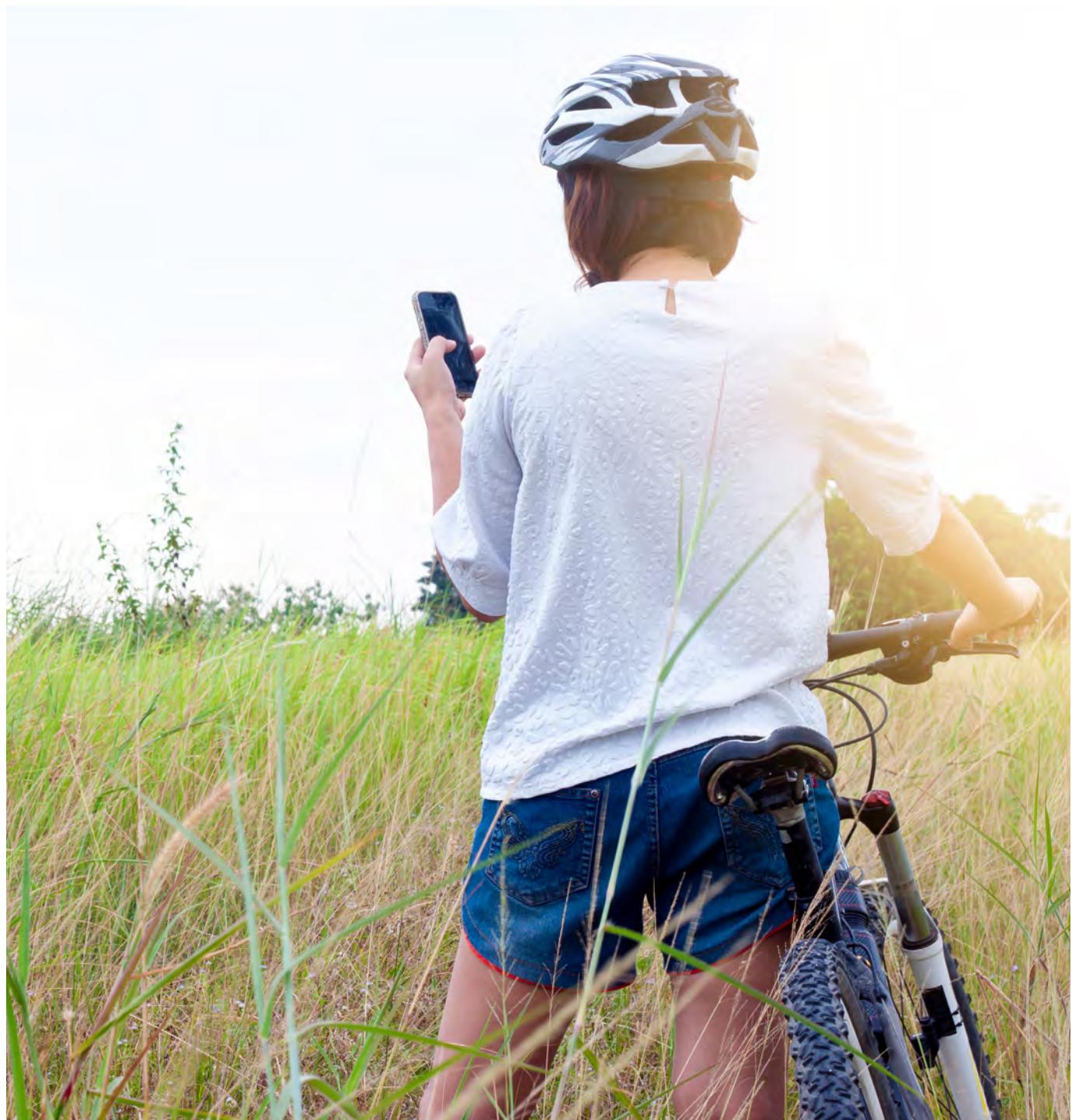
- BDUK's objectives and priorities
- the key performance indicators
- risks to achievement of BDUK's objectives

- assurance map and risk register areas where the effectiveness of controls could be improved

GIAA undertook ten reviews in 2023 to 2024. 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 2023 to 2024 financial statements was completed with an unqualified audit 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) 2023 to 2024. This is a continuation of the Moderate opinion provided for 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 ARAC, together with my wider understanding of the control environment. I have also considered the work of other assurance providers where appropriate.**

We have delivered our agreed programme of ten reviews for 2023-2024 and provided five Moderate opinions, two Substantial opinions, and one Limited opinion. We also completed two Advisory reviews which contribute to our overall assessment.

This year's plan was designed to focus on how BDUK was positioned to ensure delivery of Project Gigabit and the SRN Programme, as BDUK enters the delivery phase of both Programmes. I can confirm that the governance, risk management and control arrangements have continued to develop and mature well in 2023/24 and were operating adequately in most of the areas reviewed. Notable areas of good practice and improvement include:

- robust risk management processes in place at a Programme level for both Project Gigabit and the SRN Programme

- government best practice guidance, including the functional standards, has generally been well reflected in processes and ways of working and management are aware of the importance of doing so

- there are appropriate processes in place to manage the risks associated with delivery through suppliers and third parties

**Areas where we have identified improvements are required include:**

- BDUK needs to ensure that key first line assurance processes to support Programme delivery are clearly defined and documented to ensure processes remain resilient when they are required to operate at scale

- a reliance on external parties has created additional challenges to effective delivery and financial forecasting which will require effective stakeholder management of third parties and scrutiny within BDUK

- BDUK should ensure that there is sufficient retention of key documentation to ensure key processes are operating effectively and transparently

In line with the Moderate assurance provided in this report, 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 2023 to 2024 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 2024 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 as we enter an important delivery phase for our major programmes. Continuous improvement during 2024 to 2025 will enable BDUK to build upon the good progress made over the last year.

**Dean Creamer CBE**
**BDUK Chief Executive Officer**

**Date: 9th December 2024**

# 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 18: 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) | | Total (£'000) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 to 2023 (restated)[4] | 2023 to 2024 | 2022 to 2023 | 2023 to 2024 | 2022 to 2023 | 2023 to 2024 | 2022 to 2023 | 2023 to 2024 | 2022 to 2023 (restated)[4] | 2023 to 2024 |
| Paul Norris Chief Executive Officer Feb 2021 to Sept 2023 [1] | 115-120 | 50- 55 (120-125 fte) | - | - | - | - | 9,000 | 20,000 | 125–130 | 70-75 |
| Dean Creamer, Chief Executive Officer from September 2023 [2] | - | 70-75 (120-125 fte) | - | - | - | - | - | 6,000 | - | 80-85 |
| Jonathan Clear, Chief Financial Officer from June 2023 [3] | - | 105-110 (125-130 fte) | - | - | - | - | - | 42,000 | - | 150-155 |
| Martyn Taylor, Chief Commercial Officer from Nov 2021 | 145-150 | 155-160 | 20-25 | 20-25 | - | - | 4,000 | 5,000 | 175-180 | 180-185 |

1.  Paul Norris pension benefits are for the 5 months to September 2023 the full year pension benefits are £47,000.00

2   Dean Creamer pension benefits are for the 7 months from September 2023 to March 2024, the full year pension benefits are £10,000.00

3.  Jonathan Clear pension benefits are for the 10 months from June 2023 to March 2024, the full year pension benefits are £51,000.00

4.  Martyn Taylor's salary has been restated for 2022-23 based on corrected pay information. The restated remuneration has been used to recalculate the 2022-23 fair pay disclosures below.

# 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.

# 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 & fair pay disclosures (subject to audit)

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 2023 - 2024 was £175,000 - £180,000 (2022 – 2023: £170,000 - £175,000). This was 3.3 times (2022 – 2023: 3.5 times) the median remuneration of the workforce, which was £53,264 (2022 – 2023: £49,314).

In 2023 to 2024, zero (2022 – 2023 zero) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £26,375 to £179,000 (2022 – 2023 £24,779 to £171,758).

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 (restated) | FY 2023 to 2024 |
|---|---|---|
| Band of highest paid Directors total remuneration (£'000) | 170-175 | 175-180 |
| 25th percentile pay ratio | 4.9 | 4.7 |
| 50th percentile pay ratio (Median) | 3.5 | 3.3 |
| 75th percentile pay ratio | 3.1 | 3.0 |

# FY 2023 to 2024 Amounts (£'000)

| | 25th percentile ratio | 50th percentile ratio | 75th percentile ratio |
|---|---|---|---|
| Total pay and benefits (£'000) | 37.4 | 53.3 | 59.2 |
| Salary and allowance component of total pay and benefits (£'000) | 36.9 | 52.3 | 58.0 |

There has been a small decrease in each of the pay ratios year on year as each of the percentiles of the total pay and benefits of the workforce have seen a greater relative increase compared to the midpoint used for the highest paid director.  This will be due to the implementation of the 2023-24 pay award.

# Annual remuneration percentage change (subject to audit)

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 2023 to 2024 |
|---|---|
| **Salary and Allowances** | 6.00% |
| **Performance Pay and Bonuses payable** | -4.00% |
| **Employees of the entity taken as a whole** | |
| **Salary and Allowances** | 9.00% |
| **Performance Pay and Bonuses payable** | 0.00% |

## Non-executive board members (subject to audit)

| Non-Executives | Salary (£'000) | | Bonus payments (£'000) | | Benefits in kind (to nearest £1000) | | Pension benefits (to nearest £1000) | | Total (£'000) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 to 2023 | 2023 to 2024 | 2022 to 2023 | 2023 to 2024 | 2022 to 2023 | 2023 to 2024 | 2022 to 2023 | 2023 to 2024 | 2022-to 2023 | 2023 to 2024 |
| Simon Blagden, lead non-executive board member from August 2022 | 50-55 (80-85 fte) | 80-85 | - | - | - | - | - | - | 50-55 (80-85 fte) | 80-85 |
| Hazel Hobbs, non-executive board member from March 2022 | 15-20 | 20-25 | - | - | - | - | - | - | 15-20 | 20-25 |
| Fiona Driscoll, non-executive board member from January 2023 | 0-5 | 10-15 | - | - | - | - | - | - | 0-5 | 10-15 |
| Stephen Unger, non-executive board member from January 2023 | 0-5 | 10-15 | - | - | - | - | - | - | 0-5 | 10-15 |

# Pensions

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

| Executives | Accrued pension at pension age as at 31 March 2024 (£'000) | Real increase in pension and related lump sum as at pension age (£'000) | CETV at 31 March 2024 (£'000) | CETV at 31 March 2023 (£'000) (restated) | Real increase in CETV (£'000) |
|---|---|---|---|---|---|
| Paul Norris, Chief Executive to Sept 23 | 25-30 | 2.5-5 | 493 | 399 | 37 |
| Dean Creamer, Chief Executive from Sept 23 | 45-50 | 0–2.5 | 830 | 783 | -1 |
| Jonathan Clear from June 23 | 45-50 | 2.5-5 | 768 | 684 | 29 |
| Martyn Taylor from Nov 2021 [1] | - | - | n/a | - | - |

1.  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 £5,000 for the year, an increase from £4,000 for the previous year.

## 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 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.

# Compensation on early retirement/loss of office

No board members or executives left under agreed terms or were paid compensation for loss of office in 2023 to 2024.

# Payments to past directors

No payments were made to past directors.

# 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 19: 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 (restated) | Number of Staff (SCS) Headcount 31 March 2024 |
|---|---|---|
| £70,000 - £74,999 | 1 | 0 |
| £75,000 - £79,999 | 2 | 0 |
| £80,000 - £84,999 | 3 | 3 |
| £85,000 - £89,999 | 1 | 2 |
| £90,000 - £94,999 | 0 | 1 |
| £95,000 - £99,999 | 0 | 1 |
| £115,000 - £119,999 | 1 | 0 |
| £120,000 - £124,999 | 0 | 1 |
| £125,000 - £129,999 | 0 | 1 |
| £155,000 - £159,999 | 0 | 0 |
| £165,000 - £169,999 | 0 | 0 |
| **Total** | **8** | **9** |

## Table 20: 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 | FTE payroll staff at 31 March 2024 |
|---|---|---|
| Senior Civil Service pay band 3 | 0.0 | 0.0 |
| Senior Civil Service pay band 2 | 2.0 | 3.0 |
| Senior Civil Service pay band 1 | 9.0 | 10.0 |
| Grade A (Upper) (Grade 6) | 33.7 | 35.8 |
| Grade A (Grade 7) | 112.4 | 117.0 |
| Grade B (HEO/SEO) | 99.0 | 120.0 |
| Grade C (EO) | 24.6 | 15.0 |
| Grade D (AO/AA) | 1.0 | 1.0 |
| Other | 23.0 | 16.0 |
| Total | 304.7 | 317.8 |

## Table 21: Staff composition (subject to audit)

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 of 31 March 2024.

| | Headcount | | | FTE | | |
|---|---|---|---|---|---|---|
| Grade | Female | Male | Total | Female | Male | Total |
| Exec Team | 0.0 | 2.0 | 2.0 | 0.0 | 2.0 | 2.0 |
| Other SCS | 1.0 | 6.0 | 7.0 | 1.0 | 6.0 | 7.0 |
| Grade A (Upper) (Grade 6) | 17.0 | 12.0 | 29.0 | 17.0 | 11.9 | 28.9 |
| Grade A (Grade 7) | 41.0 | 56.0 | 97.0 | 39.9 | 55.3 | 95.2 |
| Grade B (HEO/SEO) | 49.0 | 57.0 | 106.0 | 48.0 | 57.0 | 105.0 |
| Grade C (EO) | 9.0 | 6.0 | 15.0 | 9.0 | 6.0 | 15.0 |
| Grade D (AO/AA) | 1.0 | 0.0 | 1.0 | 1.0 | 0.0 | 1.0 |
| Total | 118.0 | 139.0 | 257.0 | 115.9 | 138.2 | 254.1 |
| Percentage of staff. | 46% | 54% | 100% | 46% | 54% | 100% |

# Staff loans

The agency utilised a total of 17 staff from other government departments during the year.

## Table 22: 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 | 1 | - | - | - |
| Senior Civil Service Pay Band 1 | 1 | 1 | - | - |
| Grade A (Upper) (Grade 6) | 1 | 1 | - | - |
| Grade A (Grade 7) | 1 | 3 | 3 | |
| Grade B (HEO/SEO) | - | 4 | - | - |
| Grade C (EO) | - | - | 1 | - |
| **Total** | **4** | **9** | **4** | **-** |

## Table 23: Staff numbers and related costs (subject to audit)

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

| | 2023 to 2024 | | | | 2022 to 2023 |
|---|---|---|---|---|---|
| | Permanently employed staff £'000 | Others £'000 | Contract and agency staff £'000 | Total £'000 | Total £'000 |
| **Wages & salaries** | 12,735 | 4,442 | 1,720 | 18,897 | 16,566 |
| **Social security costs** | 1,412 | 3 | - | 1,415 | 1,201 |
| **Pension costs** | 3,215 | 7 | - | 3,222 | 2,691 |
| **Total costs** | **17,362** | **4,452** | **1,720** | **23,534** | **20,458** |
| **Less: Recoveries in respect of outward secondments** | - | - | - | - | - |
| **Total net costs** | **17,362** | **4,452** | **1,720** | **23,534** | **20,458** |

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.

## Table 24 : Average numbers of persons employed (subject to audit)

The average number of whole-time equivalent persons employed during the year was as follows.

| | Permanently employed | Other | 2023 to 2024 Total FTE | 2022 to 2023 Total FTE |
|---|---|---|---|---|
| Directly employed | 242 | - | 242 | 254 |
| Other | 35 | 17 | 52 | 22 |
| Staff engaged on capital projects | - | - | - | - |
| Total | 277 | 17 | 294 | 276 |

### 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 2023 to 2024, employers' contributions of £3,214,781.28 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 2023 to 2024 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 £8,748.48 were paid. From 01/04/2024 there was only 1 rate of employer contributions (28.97%) for all salary scales.

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.

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 2024, 10 employees of the agency were in receipt of advances of travel, housing or other loans which are repayable to the employer of £3.7k.

### Sickness absence data

Average working days lost for BDUK staff during 2023 to 2024 was 6.9 (2022 to 2023 6.4).

This is below the Civil Service average for average working days lost at 8.1 at 31 March 2024.

### Staff turnover percentage

Staff turnover percentage (per Cabinet Office guidance)

The average turnover for 2023 to 2024 was 14.4%

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. The response rate for this year was 99% (an increase of 9%) which was one of the highest of the participating organisations across the Civil Service. The BDUK engagement score was 68% (an increase of 2%) 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 significant increases in the number of people who feel BDUK motivates them to help achieve its objectives and who would recommend BDUK as a great place to work.

There has been an increased focus on a combination of line management, communications and leadership skills contributing to an increase in the number of people who felt BDUK inspires them to do the best in their job.

BDUK have invested in, and focused on, building capability across the organisation. In particular, the focus on ensuring that staff had access to the professional skills required to carry out their job effectively and with confidence helped achieve an 11% increase of people who felt that Learning & Development completed whilst in BDUK is helping to develop their career. We will continue to build on our successes and aim to improve in areas to ensure that BDUK builds on its strengths.

### Disabled Staff policies applied during the financial year

A summary of DCMS policies regarding disabled staff is outlined below. BDUK have adopted these policies however these will transition to DSIT policies following a review.

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. 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 by BDUK however these will transition to DSIT policies following a review. 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 until the transition to DSIT policies, 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 formerly through DCMS and now through DSIT, 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, which remains in force until superseded by DSIT agreement, currently states that representatives should spend at least 70% of their time delivering their Civil Service role and any requests 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.

DSIT has three staff union officials for PCS, two staff union representatives for FDA, and is also support by a Prospect National Officer.

There were no trade union representatives assigned to BDUK in 2023 to 2024.

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

There were no BDUK trade union representatives assigned in 2023 to 2024.

### Percentage of pay bill spent on facility time duties

As there were no BDUK trade union representatives assigned in 2023 to 2024, 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 2023 to 31 March 2024 in BDUK.

## Table 25: 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 2024

|  | 31 March 2023 | 31 March 2024 |
|---|---|---|
| Number of existing arrangements as of 31 March | 15 | 10 |
| Number that have existed for less than one year at time of reporting | 15 | 5 |

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 26: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2024, earning £245 per day or greater

|  | 31 March 2023 | 31 March 2024 |
|---|---|---|
| Number of temporary off-payroll workers engaged during the year ended 31 March 2023. **Of which:** | 23 | 25 |
| Not subject to off-payroll legislation* | - | - |
| Subject to off-payroll legislation and determined as in-scope of IR35 | 21 | 23 |
| Subject to off-payroll legislation and determined as out-of-scope of IR35 | 2 | 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 27: Off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April and 31 March

|  | FY 2022 to 2023 | FY 2023 to 2024 |
|---|---|---|
| Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year. | 0 | 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 | 6 |

## Exit Packages

The number of Special Severance Payments made by BDUK in 2023 to 2024 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 2023 to 2024 there was 1 exit at SCS from the civil service. 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. (BDUK) strives to attract, recruit and retain the best talent to help us reach challenging targets and to become a world class delivery organisation.

We recognise that in order to do this it is essential that our workforce is a true reflection of the society we serve. 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.

In January 2024 BDUK launched 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.

This Strategy aligns to the People Strategy, which focuses on three main priorities and objectives: Leadership & Engagement; Capability & Capacity; and Cultures, Values and Diversity & Inclusion. We engaged 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.

All employees at BDUK were invited to participate in a working group to develop the D&I Strategy and volunteers formed a cross-functional working group.

The working group was tasked with evaluating our people data, and engaging with stakeholders across the organisation and beyond to formulate the strategy, drive the project forward and put in place the building blocks to ensure successful implementation.

The principal executive sponsor is Jonathan Clear, the SLT sponsor is Debbie Asbury and our Non-Executive Director sponsor is Hazel Hobbs.

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 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 28: Losses**

| | 2023 to 2024 | | 2022 to 2023 (restated) | |
|---|---|---|---|---|
| | Cases | Amount £'000 | Cases | Amount £'000 |
| **Claims abandoned** | 1 | 45 | 2 | 422 |
| **Fruitless payment** | 2 | 169 | - | - |

There were no individual losses in excess of £300,000 for FY 2023-2024. The claim abandoned relates to an overpayment through the BDUK vouchers which is 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 three investigations:

1. The claim abandoned relates to a supplier error. After recovery actions were attempted, it was agreed to write off the debt as a result of the age of the debt, low value of the debt and high cost and time for any further recovery actions.

2. The fruitless payments relate to two official errors by BDUK. In both instances, the supplier delivered non-compliant connections using equipment that was not capable of delivering the required speeds. BDUK has erroneously approved the use of this equipment in 2018-2019 and 2019-2020 respectively and a remediation plan was put in place.

BDUK has since increased guidance and support to suppliers to improve understanding of evidential expectations. Developments to the scheme terms and conditions have ensured requirements are robust, BDUK internal technical expertise has been improved, and we have increased scrutiny on infrastructure through site audits to measure speed capabilities. Remedial steps were exhausted to upgrade the non-compliant connections that had been erroneously approved and additions to the terms and conditions were implemented to require compliant connections to be made in similar instances.

## Special and other payments

There were no special or other payments made in 2023-2024 (2022-2023: nil).

## Fees and charges

In 2023-2024, the agency collected £3k of fee income from project application fees to the Gigabit Broadband Voucher scheme (2022-2023: £15k) and £48k of fee income from reimbursement of cost audits performed on behalf of the devolved administrations (2022-2023: £63k). 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).
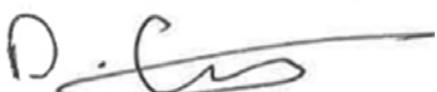
In addition, the Agency has entered into the following quantifiable indemnity. It is not a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

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 2023 | Increase/ (Decrease) in year | Liabilities crystallised in year | Obligation expired in year | 31 March 2024 | Amount reported to Parliament by Departmental Minute |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Shared Rural Network Indemnity** | 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.

**Dean Creamer CBE**
**BDUK Chief Executive Officer**

**Date: 9th December 2024**

# 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 2024 under the Government Resources and Accounts Act 2000.

The financial statements comprise Building Digital UK's:

- statement of Financial Position as at 31 March 2024;

- statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and

- 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 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 2024 and its net operating expenditure for the year then ended; and

- 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 for 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 issued 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 issued 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; or

- I have not received all of the information and explanations I require for my audit; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or

- 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; or

- 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 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;

- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;

- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and

- 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; and

  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 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. 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 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 2023, 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 Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;

- I reviewed minutes of meetings of those charged with governance, the Board and internal audit reports; and

- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

- I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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 sufficient appropriate audit evidence 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**
**Comptroller and Auditor General**

**Date: 10th December 2024**

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 2024

| | Note | 2023 to 2024 | 2022 to 2023 |
|---|---|---|---|
| | | £'000 | £'000 |
| Income from contracts with customers | 5.1 | (53) | (78) |
| Grant income | 5.2 | (5,055) | (5,301) |
| **Total operating income** | | **(5,108)** | **(5,379)** |
| Staff costs | 3 | 23,534 | 20,458 |
| Grants | 4.1 | 64,480 | 46,590 |
| GIS programme costs | 4.2 | 32,169 | 292 |
| Purchase of goods and services | 4.3 | 14,368 | 12,748 |
| Amortisation and expected credit loss adjustments | 4.4 | 1,153 | 1,214 |
| Finance cost | 4.5 | 3 | 3 |
| Other operating expenditure | 4.5 | 982 | 1,448 |
| **Total operating expenditure** | | **136,689** | **82,753** |
| **Net operating expenditure** | | **131,581** | **77,374** |
| **Non operating expenditure** | | | |
| Loss on transfer of function | | - | 22,053 |
| **Net expenditure for the year** | | **131,581** | **99,427** |
| **Total comprehensive expenditure for the year** | | **131,581** | **99,427** |

All operations relate to continuing activities.

The notes on pages 86 to 99 form part of these accounts.

# Statement of Financial Position as at 31 March 2024

| | Note | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 6 | 4,873 | 4,947 |
| **Total non-current assets** | | **4,873** | **4,947** |
| **Current assets** | | | |
| Trade and other receivables* | 8 | 29,651 | 12,382 |
| Cash and cash equivalents | 9 | 15,738 | 23,974 |
| **Total current assets** | | **45,389** | **36,356** |
| **Total assets** | | **50,262** | **41,303** |
| **Current liabilities** | | | |
| Trade and other payables | 10 | (55,248) | (21,818) |
| **Total current liabilities** | | **(55,248)** | **(21,818)** |
| **Total assets less total liabilities** | | **(4,986)** | **19,485** |
| **Taxpayers' equity and other reserves** | | | |
| **Taxpayers' funds** | | | |
| General fund | SoCTE | (4,986) | 19,485 |
| **Total taxpayers' equity** | **SoCTE** | **(4,986)** | **19,485** |

*includes expected credit loss

The notes on pages 86 to 99 form part of these accounts.

**Dean Creamer CBE
(Accounting Officer)**

**Date: 9th December 2024**

# Statement of Cash Flows for the year ended 31 March 2024

| | Note | 2023 to 2024 | 2022 to 2023 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Cash flows from operating activities** | | | |
| Net operating expenditure | SoCNE | (131,581) | (77,374) |
| Adjustments for non-cash expenditure - purchase of goods and services | 4.3 | 100 | 95 |
| Adjustments for non-cash expenditure - amortisation and expected credit loss adjustments | 4.4 | 1,153 | 1,214 |
| (Increase)/decrease in trade and other receivables | 8 | (17,233) | (12,426) |
| Movements in receivables not related to operating activities | | - | 25,160 |
| Increase/(decrease) in trade payables | 10 | 33,430 | 21,818 |
| Movements in payables not related to operating activities | | - | (51,063) |
| **Net cash outflow from operating activities** | | **(114,131)** | **(92,576)** |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | | (1,115) | (2,267) |
| **Net cash inflow/(outflow) from investing activities** | | **(1,115)** | **(2,267)** |
| **Cash flows from financing activities** | | | |
| DSIT Supply funding received in year | SoCTE | 107,010 | 118,817 |
| **Net cash inflow from financing activities** | | **107,010** | **118,817** |
| **Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund** | | **(8,236)** | **23,974** |
| **Cash flow from non-financing activities** | | | |
| Receipts due to the Consolidated Fund which are outside the scope of the agency's activities | | 30,046 | 34,746 |
| Payments of amounts to the Consolidated Fund | 5.3 | (30,046) | (34,746) |
| **Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund** | | **(8,236)** | **23,974** |
| **Cash and cash equivalents at the beginning of the period** | **9** | **23,974** | **-** |
| **Cash and cash equivalents at the end of the period** | **9** | **15,738** | **23,974** |

The balances for Movements in receivables and payables not related to operating activities for 2022 to 2023 relate to transfers of BDUK programmes from DCMS to the newly created BDUK executive agency.

The notes on pages 86 to 99 form part of these accounts.

# Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

| | Note | General fund | Total taxpayers' equity |
|---|---|---|---|
| | | £'000 | £'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 1 April 2023** | | **(19,485)** | **(19,485)** |
| DSIT Supply funding | | (107,010) | (107,010) |
| Net expenditure for the year | SoCNE | 131,581 | 131,581 |
| **Non-cash adjustments:** | | | |
| Auditors' remuneration | 4.3 | (100) | (100) |
| **Balance at 31 March 2024** | | **4,986** | **4,986** |

The notes on pages 86 to 99 form part of these accounts.

# Notes

## 1. Statement of accounting policies

### 1.1 Basis of Preparation

These accounts have been prepared in accordance with the 2023 to 2024 Government Financial Reporting Manual (FReM) and Accounts Direction issued by HM Treasury . The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM 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 2023.

### 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 FReM 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 both budgetary and non-budgetary income. It is recognised in accordance with the FReM 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 FReM. 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 in 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 2023 to 2024, 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 2-5 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 use

- 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 I*AS 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. These overpayments are excluded from the financial statements because 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**

Non-derivative 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.

**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.

**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 8.

## 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

| | 2023 to 2024 | | | | 2022 to 2023 |
|---|---|---|---|---|---|
| | Permanently employed staff £'000 | Others £'000 | Contract and agency staff £'000 | Total £'000 | Total £'000 |
| Wages & salaries | 12,735 | 4,442 | 1,720 | 18,897 | 16,566 |
| Social security costs | 1,412 | 3 | - | 1,415 | 1,201 |
| Pension costs | 3,215 | 7 | - | 3,222 | 2,691 |
| **Total costs** | **17,362** | **4,452** | **1,720** | **23,534** | **20,458** |
| Less: Recoveries in respect of outward secondments | - | - | - | - | - |
| **Total net costs** | **17,362** | **4,452** | **1,720** | **23,534** | **20,458** |

# 4. Expenditure

## 4.1 Grants

### 4.1.1 2023 to 2024

| | 2023 to 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Superfast contracts £'000 | Gigabit Contracts £'000 | Gigabit Hubs £'000 | Gigabit Broadband Voucher Scheme £'000 | Shared Rural Network £'000 | Local full fibre network £'000 | Total £'000 |
| Capital grants | 1,632 | 234 | 2,524 | 56,777 | 3,313 | - | 64,480 |
| Total: Grants | 1,632 | 234 | 2,524 | 56,777 | 3,313 | - | 64,480 |

### 4.1.1 2022 to 2023

| | 2022 to 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Superfast contracts £'000 | Gigabit Contracts £'000 | Gigabit Hubs £'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 contracts and Local full fibre networks are legacy programme with residual expenditure incurred.

## 4.2 GIS programme costs

| | 2023 to 2024 £'000 | 2022 to 2023 £'000 |
|---|---|---|
| GIS programme costs | 32,169 | 292 |
| Total: GIS programme costs | 32,169 | 292 |

### 4.3 Purchase of goods and services

| | 2023 to 2024 £'000 | 2022 to 2023 £'000 |
|---|---|---|
| Professional services | 7,417 | 5,881 |
| Human resources | 378 | 524 |
| Marketing and media | 12 | 17 |
| Premises expenses | 3 | 2 |
| IT maintenance and support | 6,052 | 5,914 |
| Travel and subsistence | 406 | 315 |
| **Sub-total: cash items** | **14,268** | **12,653** |
| **Non-cash items** | | |
| Auditors' remuneration | 100 | 95 |
| **Sub-total: non-cash items** | **100** | **95** |
| **Total: Purchase of goods and services** | **14,368** | **12,748** |

**Professional services**

Included within professional services is £6,809 (2022 to 2023: £5,450) of consultancy costs.

**Auditors' remuneration**

Notional non-cash auditors' remuneration for the cost of the audit of the agency's accounts was £100,000 (2022 to 2023: £95,000). In 2023 to 2024 the agency did not purchase any non-audit services from its auditor, the National Audit Office (2022 to 2023: nil).

### 4.4 Amortisation and expected credit loss

| | 2023 to 2024 £'000 | 2022 to 2023 £'000 |
|---|---|---|
| Amortisation | 1,189 | 599 |
| Impairments/(write backs) | - | 571 |
| Expected credit loss | (36) | 44 |
| **Amortisation - non-cash total** | **1,153** | **1,214** |

Amortisation is on the intangible assets 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.

### 4.5    Other operating expenditure

|  | 2023 to 24 £'000 | 2022 to 23 £'000 |
|---|---|---|
| BDUK programme costs | 32,169 | 292 |
| Research & development (capital) | 319 | 828 |
| Other expenditure | 663 | 620 |
| **Sub-total: other operating expenditure** | **33,151** | **1,740** |
| Finance costs | 3 | 3 |
| **Other expenditure - cash total** | **33,154** | **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.

# 5.    Income

### 5.1    Revenue from contracts with customers

|  | 2023 to 24 £'000 | 2022 to 23 £'000 |
|---|---|---|
| Fees, charges and duties | 53 | 78 |
| **Total: Income from contracts with customers** | **53** | **78** |

### 5.2    Grant income

|  | 2023 to 24 £'000 | 2022 to 23 £'000 |
|---|---|---|
| Capital grant income | 5,055 | 5,301 |
| **Total: Grant income** | **5,055** | **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:

| | 2023 to 24 £'000 | 2022 to 23 £'000 |
|---|---|---|
| Consolidated Fund Income | 45,164 | 22,557 |
| **Amount payable to the Consolidated Fund** | 45,164 | 22,557 |
| Balance held at the start of the year | 11,515 | 23,704 |
| Payments into the Consolidated Fund (via DSIT) | (30,046) | (34,746) |
| **Balance held on trust at the end of the year** | 26,633 | 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 increase 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 DSIT.

# 6. Intangible assets

## 6.1 Intangible assets 2023 to 2024

| | 2023 to 24 | | | | |
| --- | --- | --- | --- | --- | --- |
| | Licences £'000 | Websites £'000 | Development expenditure £'000 | Assets under construction £'000 | Total £'000 |
| **Cost or valuation** | | | | | |
| **At 1 April 2023** | 61 | 1,456 | 2,491 | 2,109 | 6,117 |
| **Additions** | - | - | - | 1,113 | 1,113 |
| **Reclassifications** | 606 | 929 | 1,687 | (3,222) | - |
| **Transfers in from DCMS (note 15)** | - | - | - | - | - |
| **At 31 March 2024** | **667** | **2,385** | **4,178** | **-** | **7,230** |
| **Amortisation** | | | | | |
| At 1 April 2023 | 44 | 835 | 291 | - | 1,170 |
| Charged in year | 135 | 321 | 731 | - | 1,191 |
| Impairments | - | - | - | - | - |
| **At 31 March 2024** | **179** | **1,156** | **1,022** | **-** | **2,357** |
| **Carrying amount:** | | | | | |
| **31 March 2024** | **488** | **1,229** | **3,156** | **-** | **4,873** |
| **31 March 2023** | **17** | **621** | **2,200** | **2,109** | **4,947** |
| **Asset financing:** | | | | | |
| Owned | 488 | 1,229 | 3,156 | - | 4,873 |
| **Carrying amount at 31 March 2024** | **488** | **1,229** | **3,156** | **-** | **4,873** |

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

**6.2     Intangible assets 2022 to 2023**

| | 2022 to 23 | | | | |
| --- | --- | --- | --- | --- | --- |
| | Licences £'000 | Websites £'000 | Development expenditure £'000 | Assets 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 |
| **Carrying amount at 31 March 2023** | **17** | **621** | **2,200** | **2,109** | **4,947** |

# 7.   Financial instruments

| | Note | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|---|
| **Financial assets** | | | |
| *Amortised costs* | | | |
| Cash and cash equivalents | 9 | 15,738 | 23,974 |
| Trade and other receivables | 8 | 2,173 | 851 |
| Loans | 8 | (1) | 15 |
| | | **17,910** | **24,840** |
| **Financial liabilities** | | | |
| *Financial liabilities at amortised cost* | | | |
| Trade and other payables | 10 | (28,765) | (11,542) |
| **Total net financial assets/(liabilities)** | | **(10,855)** | **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 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 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | 2,088 | 814 |
| VAT receivables | 845 | - |
| Other receivables | 93 | 81 |
| Prepayments | 1 | 1 |
| Accrued income | 26,633 | 11,515 |
| Staff loans and advances | (1) | 15 |
| **Total before expected credit loss** | **29,659** | **12,426** |
| **Expected credit loss** | **(8)** | **(44)** |
| **Total** | **29,651** | **12,382** |

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

# 9. Cash and cash equivalents

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Balance at 1 April** | **23,974** | **-** |
| Net change in cash and cash equivalent balances | (8,236) | 23,974 |
| **Balance at 31 March** | **15,738** | **23,974** |

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

# 10. Trade and other payables

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Taxation and social security | 373 | 307 |
| Trade payables | 258 | (15) |
| Other payables | 28,507 | 11,557 |
| Accruals & deferred income | 26,110 | 9,969 |
| **Total** | **55,248** | **21,818** |

# 11. Contingent liabilities

**European Regional Development Fund (ERDF) Superfast liability**

The contingent liability 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 remains in place. 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 2014-2020 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 Ministry of Housing, Communities and Local Government (MHCLG) is that the maximum level of possible fines or penalties would be £2.5m. 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 2024 | 31 March 2023 |
| --- | ---: | ---: |
| | £'000 | £'000 |
| **Contracted capital commitments not otherwise included in these accounts** | | |
| Intangible assets | - | 770 |
| **Total** | **-** | **770** |

## 12.2 Financial commitments

| | 31 March 2024 | 31 March 2023 |
| --- | ---: | ---: |
| | £'000 | £'000 |
| Not later than one year | 249,966 | 25,000 |
| Later than one year but not later than five years | 995,366 | 211,569 |
| Later than five years | 35,486 | - |
| **Total** | **1,280,818** | **236,569** |

The agency's financial commitments are the contracts with suppliers under the Gigabit Infrastructure Subsidy scheme. Whilst these contracts are not considered to be "non-cancellable" as per the criteria of FReM 7.6.16, these commitments have been disclosed to provide a more complete view of BDUK's financial position given the material sums involved.

# 13. Related party transactions

We were sponsored by DSIT 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.

DSIT is regarded as a related party and we have a significant number of material transactions with DSIT relating to 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 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 61) 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.

![Royal Coat of Arms] Building Digital UK

**Annual Report and Accounts 2023 to 2024**
**Building Digital UK**