



Contract award and management of Project Stratum

Northern Ireland's Comptroller and Auditor General has today (14 December 2021) published a report on Project Stratum, the £165 million project which is NI's largest publicly funded investment in broadband infrastructure to date. It finds that, while there are many things to be commended in how the Project Stratum contract has been awarded and will be managed, there are concerns around the number of properties that will be covered by the project, and the potential for some premises to have been commercially viable without subsidy.

Today's report, by Mr Kieran Donnelly CB, examines the procurement process adopted by the Department for the Economy, who awarded the contract to the winning bidder Fibrus Networks Limited ('Fibrus'), and the arrangements established to manage the Fibrus contract. It commends many aspects of the procurement process including the steps that the Department took to ensure that it had adequate inspection rights, as the NIAO has previously recommended, as well as several other steps it had taken to ensure that the procurement was done in line with best practice.

However, the report also identifies two main concerns that will impact on the ability to prove value for money was maximised - the coverage of the winning Fibrus bid and the commercial viability of the Project.

Coverage of the winning Fibrus tender

At the outset of the procurement process, the Department had identified a target intervention area of around 79,000 premises which currently had low broadband speeds (less than 30 Mbps) and which were not planned to be addressed by the investment plans of commercial operators. As a part of the tender process, bidders were asked to provide details of the number of those premises within this intervention area which it would be able to deliver full-fibre broadband to, based on the £165 million government funding available.

When tenders were received from two bidders (BT and Fibrus Networks) they were then reviewed by a panel and scored out of 100 marks with the project being awarded to the bidder who scored the highest. There were a range of criteria used for the scoring, one of which was for coverage i.e. the number of premises within the target intervention area that would be reached by the respective solutions and this was allocated 30 marks. When the bids were received, the solution proposed by BT covered 100 per cent of the target intervention area specified by the Department, while the proposal from Fibrus covered almost 97 per cent. This meant that the Fibrus solution omitted around 2,500 premises, which the Department has since estimated will cost around a further £24 million to address.

In allocating the 30 marks available for coverage an automated formula was used which allocated the full 30 marks to BT while Fibrus were awarded 29 (calculated simply as 97 per cent of the 30 marks available). The report concludes that the scoring mechanism for awarding marks was not sophisticated enough to provide sufficient consequences for solutions which did not provide 100 per cent coverage.

THIS STATEMENT IS ISSUED ON THE STRICT UNDERSTANDING THAT IT IS NOT FOR PUBLICATION OR BROADCAST BEFORE 00.01 hrs ON 14 DECEMBER 2021

Commenting on the report's findings Mr Donnelly said:

"This ambitious Project aims to widen access to high speed broadband in Northern Ireland, and specifically to help redress the disparity between access in urban and rural areas. I am surprised, therefore, that the procurement scoring methodology allowed the solution proposed by Fibrus to score so highly in relation to coverage given that it did not propose to cover the full intervention area and the cost of making up the shortfall, estimated at £24 million, will be so substantial. While I accept that the scoring method was undertaken in line with the tender documentation issued to bidders, in my opinion it did not make sufficient reduction in the scoring to account for the impact of delivering less than 100 per cent coverage.

"At the same time, I want to recognise that the Department has done a lot of things well in the procurement, learning lessons from past procurement processes."

Commercial viability

The report also notes that in September 2020, shortly after the Department had issued letters intending to award the Project Stratum contract to Fibrus, the unsuccessful bidder (BT) submitted details to the Department of its planned further investment to extend fibre coverage providing speeds above 30 Mbps to premises across Northern Ireland. This submission included 16,000 premises which had been identified within the Project Stratum target intervention area and which initially were part of BT's bid.

Subsequently in April 2021, BT further announced that it intended to invest £100 million in the next 12 months to expand the availability of 1Gbps broadband to a further 100,000 premises and maintain its current network. BT confirmed that the investment would cover rural villages across Northern Ireland, including villages that already featured in the Project Stratum intervention area. BT has noted that it is normal that plans can change because of operational issues and that the updated premises data it provided in September 2020 reflected changes to its commercial build and future plans that had occurred since its last Open Market Review.

Mr Donnelly added:

"Project Stratum was intended to provide high speed full-fibre broadband to the target intervention area on the basis that these areas were commercially unviable. The fact that BT have now released plans to invest in the Project Stratum target intervention area raises questions about whether some of the premises included within the project were already commercially viable, and if the overall level of public subsidy afforded to this project was required."

ENDS

Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He, and the NIAO, are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. The report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on 14 December 2021.
3. Project Stratum is a project to increase access to full fibre to the premises broadband Northern Ireland, especially in rural and harder to reach areas of the country. The £165 million project is the largest publicly funded investment in broadband infrastructure in Northern Ireland to date, and aims to roll out a superfast broadband solution to pass approximately 76,500 premises by March 2024.
4. Project Stratum is mainly funded by resources made available under the Confidence and Supply Agreement (£150 million) with additional assistance (£15 million) from the Department of Agriculture, Environment and Rural Affairs (DAERA).
5. Fibrus is also contributing £46m to network build costs, which will be measured and monitored under the terms of the contract.
6. Prior to Project Stratum, the Department had invested £78 million in previous schemes to improve broadband access within Northern Ireland.
7. Background briefing can be obtained from the Audit Office by contacting Tomas Wilkinson (028 9025 1073) or Conor McGeown (028 9025 1041).