



MEDIA RELEASE

Broadband Investment in Northern Ireland

A report published today (17 June 2021) by Northern Ireland's Comptroller and Auditor, Mr Kieran Donnelly CB, has concluded that it is not possible to verify that two major public broadband projects, costing a total of £35.1 million in public subsidy, achieved value for money.

Mr Donnelly's report considers two projects funded by the Department for the Economy – the Northern Ireland Broadband Investment Programme (NIBIP) and the Superfast Rollout Programme (SRP2). Both projects increased broadband connectivity to premises across Northern Ireland. Access to broadband, at speeds of up to 30Mbps, is lower in Northern Ireland than any other United Kingdom region, particularly in rural areas.

The Department awarded the NIBIP and SRP2 contracts using a national framework established by the United Kingdom Department for Digital, Culture, Media & Sport (DCMS). This framework provided a mechanism for local bodies (including the Department for the Economy) to award contracts on a call-off basis and therefore avoid expensive, individual open tender exercises. However, today's report raises a number of concerns over the use of this framework.

These include the following:

- By the time the Northern Ireland contracts were awarded, only one bidder (BT) remained on the framework.
- Reliance on the contractor to self-certify that costs were "internally consistent and consistent with its commercial investment" was not an adequate control.
- Performance through the NIBIP fell well below DfE's original expectations of delivering broadband to 117,600 premises and, in fact, only ended up improving broadband access to 37,500 premises.

Commenting on the findings of his report, Mr Donnelly said:

"The COVID-19 pandemic has brought into sharp focus our increasing reliance on the internet to communicate, work, learn and shop. Many in Northern Ireland have faced COVID-19 lockdowns with inadequate access to broadband services, and while any improvement in broadband infrastructure is to be welcome, my report raises significant issues."

"The outcomes of the NIBIP were considerably below DfE original expectations and were disappointing in terms of the number of premises benefitting from improved broadband access. The report concurs with the findings of previous Parliamentary Committees that use of the DCMS national framework seriously limited competition and provided insufficient transparency over actual costs incurred by the contractor."

"It is vital that Project Stratum, involving £165 million of public subsidy, finally provides an appropriate broadband solution for those rural homes and businesses in Northern Ireland which are still dealing with poor digital connectivity. I note the Department for the Economy's assurance that Project Stratum was procured using an open tender process rather than the framework which had lapsed in 2016, and there are built in controls to ensure full transparency over costs. I intend to report on the award of the contract for Project Stratum later this year."

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The report also notes that the take-up rate for improved broadband was significantly higher than originally estimated. BT had estimated that around 20 per cent of customers would access and pay for improved broadband delivered, but the actual take-up has reached 66 per cent for NIBIP and currently stands at 33 per cent for SRP2. Both schemes include a mechanism for the Department to recover excess profits because of a higher than expected take-up and it is estimated that around £14 million will eventually be recovered from BT. Nevertheless the report suggests that the high take-up rates raise questions over whether either project could have been commercially viable with significantly less public subsidy.

Mr Donnelly added:

“While I note that there are mechanisms to claw back part of the public funding, I consider that these high take-up rates could indicate that both projects would have been financially attractive to the private sector even if less public subsidies had been provided.”

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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. Telecommunications is a UK reserved matter. It has not been devolved to the NI Executive but is controlled centrally by the UK Department for Digital, Culture, Media and Sport (DCMS). Building Digital UK (BDUK), a directorate within DCMS, has responsibility for the management, governance and oversight of programmes delivering improved broadband across the UK.
3. Under the Communications Act 2003 (Clause 149), DfE has limited powers to intervene in cases where there is evidence of market failure. Any intervention must avoid distorting the telecommunications market.
4. Commercial operators are rolling superfast, ultrafast and full fibre broadband in areas where it is profitable to do so, primarily in urban areas where operator investment is likely to generate additional income from increased customer numbers. The commercial case for improving broadband in rural areas is considerably less attractive because of the low population density. In these areas, the government may intervene either by offering public sector funding to providers to help with the cost of installation. The majority of premises with poor broadband connectivity are located in rural areas.
5. In terms of ultrafast and full fibre, by 2020 Northern Ireland broadband access levels were higher than the UK averages. By that stage, 64 per cent of Northern Ireland premises had access to ultrafast compared to an average of 59 per cent across the UK while 56 per cent had access to full fibre compared to 18 per cent across the UK. According to Ofcom, the higher full fibre access percentage in Northern Ireland reflects substantial private sector investment from Virgin Media and Openreach.
6. In 2010-11, the United Kingdom Department, Digital, Culture, Media & Sport (DCMS), introduced the UK-wide state-aid Superfast Broadband Programme (formerly the Rural Broadband Programme), supported by £1.7 billion in public subsidy. DCMS, through its Building Digital United Kingdom (BDUK) directorate, developed a national framework, compatible with European Union regulations which provided a mechanism for local bodies (including the Department for the Economy (DfE)) to award contracts on a call-off basis and therefore avoid expensive, individual open tender exercises.
7. The build phase of the Northern Ireland Broadband Improvement Programme, costing £17.7 million in public subsidy, was completed in September 2016. The take-up phase is expected to be completed in March 2023. The build phase of the Superfast Rollout Programme (SRP2), costing £17.4 in public subsidy, was completed in September 2018. DfE told us that the SRP2 provided improved broadband access to over 42,000 premises. Take-up under this project runs until December 2024.
8. Project Stratum, a new project awarded in November 2020, is expected to provide fibre to over 76,000 premises, mainly in rural areas, at a total cost to the public sector of £165 million. The DCMS Framework Agreement lapsed in 2016, before the project was procured. Project Stratum was procured using an open tender process using the Public Contracts Regulations 2015 and was fully managed by the Department of Finance's Central Procurement Directorate (CPD). It made use of the Restricted Procurement Procedure pursuant to Regulation 28 of the regulations, and

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management of the procurement by CPD was in line with the National Broadband Scheme 2016, with State aid Assurance provided by BDUK as the National Competency Centre. We intend to separately report on the award of the contract for Project Stratum later this year.

9. The report is available on the Audit Office website at www.niauditoffice.gov.uk . The report is embargoed until 00.01 hrs on 17 June 2021.
10. Background briefing can be obtained from the Audit Office by contacting from the Audit Office by contacting Tomas Wilkinson on (028 9025 1073) or Clare Dornan (028 9025 1035).