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Mr Darren Millar AM
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National Assembly for Wales
Cardiff Bay
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Dear Darren

**WELSH GOVERNMENT INVESTMENT IN NEXT GENERATION BROADBAND INFRASTRUCTURE –
WELSH GOVERNMENT RESPONSE**

The Deputy Clerk's letter of 25 January requested my advice on the Welsh Government's response to the Committee's report on Welsh Government Investment in Next Generation Broadband Infrastructure that was published in November 2015. The Welsh Government has indicated that it accepts nine of the Committee's 10 recommendations, with the remaining recommendation partially accepted. I have highlighted below some areas where the Committee may wish to seek further information or clarification.

Recommendation 1: The Welsh Government has partially accepted this recommendation, reflecting the fact that the timescales for deploying to some premises in the original project have changed following a project extension which has resulted in a new deployment plan. It seems reasonable that leaving all of the new premises to the end of the project may not be the most efficient deployment method. However, given the Committee's concerns about the impact of the project extension, the response might helpfully have indicated the number of premises that are affected by changes to the scheduled roll-out, the extent to which these premises are clustered in particular areas, and how any delays in roll-out are being communicated to those affected.

The Welsh Government indicates that had it not taken an approach to 'blend' new premises into the original contract, a renegotiation to the contract may have led to a less favourable position for the Welsh Government. The Committee may wish to ask the Welsh Government why it feels it would have been in a weaker negotiating position than when it let the original contract.

Recommendation 2: The Welsh Government accepts this recommendation and launched the new Access Broadband Cymru Scheme in January 2016. However, the Committee may wish to clarify with the Welsh Government the contribution of the scheme in delivering access to next generation broadband to all eligible premises. The Welsh Government response indicates that some of the funding is available for speeds between 10 and 20 Mbps. For premises given access through the Superfast Cymru project, next generation broadband means speeds of over 24 Mbps.

The Committee may also like to obtain an indication from the Welsh Government of the possible cost of next generation broadband installation for residents or businesses in difficult-to-reach premises (over and above the value of the vouchers on offer).

Recommendation 3: The Welsh Government accepts this recommendation, although the Committee may like to consider whether the level of detail provided meets its expectations. For example, the Welsh Government could have given more specific detail on how it has engaged with internet service providers, and whether this engagement has resulted in the identification of difficult-to-reach premises that might benefit from the new Access Broadband Cymru scheme.

The Committee may wish to ask Welsh Government to provide additional information about the likely level of the investment fund that the Welsh Government indicates will support the new scheme. I assume that the clawback mechanism is the arrangement I referred to in my report, namely, that if next generation broadband take up in the Superfast Cymru intervention area exceeds 21 per cent within the lifetime of the Superfast Cymru contract to the end of 2023, BT will distribute 50 per cent of its profit margin on its wholesale services relating to the intervention area, back to the Welsh Government. The amount of clawback therefore depends on the level of take-up.

Recommendation 5: The Welsh Government accepts this recommendation. However, the Committee may wish to ask the Welsh Government for more detail on the application for WEFO funding under the new structural funds programme, including the value of the funding and what it is for. It is unclear whether this relates to the application described in my report to support exploitation activity. The Welsh Government response otherwise infers that this funding is supporting the completion of the Superfast Cymru project.

I note that the response to this recommendation states that Superfast Cymru has been an unqualified success. My report pointed to the reasonable progress being made, the generally effective procurement of the Superfast Cymru contract, and some of the wider benefits accruing from the contract. Nevertheless, there has clearly been scope to improve certain aspects of the rollout, notably with regard to communication. In addition, the ultimate value for money of the Superfast Cymru project depends on the extent of take-up of next generation broadband and exploitation of its benefits.

Recommendation 6: The Welsh Government accepts this recommendation, although an indication of planned timescales for the related actions would have been helpful.

Recommendation 8: The Welsh Government has accepted this recommendation and highlights changes to the Superfast Cymru website to improve the information given to website visitors. Wales Audit Office staff have visited the website again and consider that the information available does look to have been significantly enhanced.

The Welsh Government states that the success of advertising and events is borne out by the numbers of visitors to the website and on-line registrations; however, the number of internet hits does not automatically suggest success. My report recommended identifying whether businesses and residents are content with the level of information they receive and the Committee may wish to enquire whether the Welsh Government has done anything in that respect, particularly given the recent changes to the website. Alternatively, this issue could be picked up by the new Committee when it considers the update promised in response to Recommendation 4 in the Committee's report which should include an update on action taken in response to my own recommendations.

I understand that the clerks are expecting to receive from BT a separate update on progress over recent months and the Welsh Government has confirmed its commitment to provide an update on a range of matters by September 2016. The Committee may wish to highlight this topic within its planned legacy report and there may be merit in the new Committee taking further oral evidence from the Welsh Government and BT based on that update. Taking account of the position reported to the new Committee in autumn 2016, I will also consider whether further follow up work is merited, focusing specifically on the rollout of the Superfast Cymru project or on the wider exploitation of the benefits of access to next generation broadband.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES