HOUSE OF COMMONS

# Public Accounts Committee

## Oral evidence: DCMS Recall, HC 27

Wednesday 29 June 2022

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Louie French; Peter Grant; Nick Smith.

Gareth Davies, Comptroller and Auditor General, National Audit Office and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-91

### Witnesses

I: Ruth Hannant, Director General for Culture, Sport and Civil Society, DCMS, Sarah Healey, Permanent Secretary, DCMS, Paul Norris, CEO, Building Digital UK and Susannah Storey, Director General for Digital and Media, DCMS.

# Examination of witnesses

Witnesses: Ruth Hannant, Sarah Healey, Paul Norris and Susannah Storey.

**Chair:** Welcome to the Public Accounts Committee on Wednesday 29 June 2022. Today we have called officials from the Department for Digital, Culture, Media and Sport back in front of us to update us on two of our more recent inquiries. In 2021 we looked in depth at the roll-out of superfast broadband, which is a really important issue. The pandemic has underlined the importance of connectivity for students, businesses and everybody else. We are keen to see how that has progressed.

In 2020 we looked in depth at gambling regulation issues. We had some concerns there, and the Gambling Commission, which is a small regulator, has had challenges protecting gamblers as the sector moves increasingly online. We want to hear from officials about how things are going in both those areas.

I welcome our witnesses from the Department for Digital, Culture, Media and Sport. Sarah Healey is the permanent secretary. Susannah Storey, to her right, is the director general for digital and media. Ruth Hannant is the director general for culture, sport and civil society—these titles get longer and longer. It sounds like you are running a big chunk of the Department there, Ms Hannant. Paul Norris is the chief executive officer of Building Digital UK—often known as BDUK—which is responsible for a large part of the broadband roll-out. Before we go any further, two Members would like to declare an interest.

**Mr French:** Thank you, Chair. I declare a non-financial interest for when we come to the gambling section. Many, many years ago, when I was a student, I worked part-time for a bookmaker.

**Chair:** Experience from the frontline there.

**Sir Geoffrey Clifton-Brown:** I wish to draw attention to my entry in the Register of Members' Financial Interests. As a farmer, I own properties that could be affected by broadband changes.

**Chair:** Thank you very much, Sir Geoffrey. Before we go into the main session, Peter Grant MP has a quick question about a written ministerial statement that was laid today.

Q1 **Peter Grant:** The Secretary of State has published a statement today about the merger between two very large regional newspaper publishers—Newsquest and Archant Community Media Ltd. She was originally minded to intervene in that merger, but she has now decided that she is satisfied and has indicated that she does not intend to intervene. Are you able to give us any more information than is in the written statement about what persuaded her to let this go ahead?

***Susannah Storey:*** She has been considering the representations from the parties, and the WMS will set out her position. As I understand it, it has not yet been laid, but that is roughly where she is going to be.

Q2 **Peter Grant:** Will the representations made by the two companies be made public, obviously with the removal of commercially sensitive information?

***Susannah Storey:*** I don't think so, if it is commercially sensitive.

Q3 **Peter Grant:** But if it is not commercially sensitive, it does seem important, given that at the beginning there appeared to be a public interest concern. If that concern has now been allayed, is it reasonable for the public to expect to see the information that changed, or certainly persuaded the Secretary of State that it was all okay?

***Susannah Storey:*** I will certainly take that away.

**Chair:** Moving on to the challenging issue of the roll-out of gigabit broadband, Sir Geoffrey Clifton-Brown is going to lead off for us.

Q4 **Sir Geoffrey Clifton-Brown:** Good afternoon, Ms Healey. Could we start with the 85% target? Why are you so confident that you will hit it by 2025?

***Sarah Healey:*** We remain on track to meet what we have always said is a very challenging target. Obviously, our Ministers would like us to go as far as possible beyond it if we can, but we remain on track to meet what we have always said, considering the uncertainties in the market and other issues, is a challenging target. The commercial market continues to thrive and move very quickly on the roll-out of gigabit broadband, including in a substantial number of rural areas, which, as we discussed last time, are areas where we initially did not anticipate it would go.

**Sir Geoffrey Clifton-Brown:** Hopefully in the Cotswolds.

***Sarah Healey:*** Good.

Q5 **Sir Geoffrey Clifton-Brown:** I say hopefully in the Cotswolds, but is the Cotswolds one of those areas?

***Sarah Healey:*** I do not know in detail exactly what our market review of the Cotswolds has shown, but I am sure Paul can set that out for you. We have obviously continued to take into account that acceleration in commercial build when we have been doing our planning for areas of intervention for BDUK. We have to do that because that ensures continued value for money and the use of taxpayer funding on these procurements. None the less, since we saw you last, we have launched 10 procurements under the gigabit infrastructure subsidy programme. We have continued to deliver under the vouchers programme, and we have continued to deliver under legacy superfast contracts—as you know, we deliver gigabit under them.

Since our last time discussing this, which was November 2021—only seven or eight months ago—overall coverage has gone from 58% of premises to

68% of premises, which is quite a significant increase, of which 5% was the Virgin roll-out that we talked about previously and 5% is new build connections. We obviously monitor the target very closely. We are on track to meet it, but we recognise the challenges inherent in it and we take them very seriously in how we approach our planning. Would you like an answer on the Cotswolds?

Q6 **Sir Geoffrey Clifton-Brown:** Yes, I would. I was going to ask Mr Norris.

***Paul Norris:*** I remember talking about the Cotswolds last November. In the Cotswolds, Gigaclear is still delivering on the former superfast contract, now pivoted for fibre. You will recall that BDUK vouchers are extremely active. For example, we were pleased to get to places such as Wotton-under-Edge with our voucher scheme. You will know from our published procurement schedule that we are seeking to launch Gloucestershire in a window from December this year through to very early next year. We are advanced in that data-gathering phase. We are currently analysing all the data from public review. We will need to go through a market engagement phase, as we always do for any of our procurements, to ensure that we then design an intervention area to target a very specific list of premises that, according to our information, will be non-commercial across Gloucestershire and in the Cotswolds.

There is a lot of commercial activity. As the permanent secretary has said, just since last November private companies have announced a further £7 billion of funding for fibre roll-out across the UK. It is a significant number. We are now looking at, in total, about £32 billion of publicly announced committed capital from the private sector. Of course, our £5 billion is then on top of that. The private sector is still extending further than we would have expected—certainly a year ago. In a place like the Cotswolds, all your market towns are now commercial. Many large villages are now commercial, so what will be left for us is essentially the smaller villages, hamlets and the homes and businesses down country lanes.

Q7 **Sir Geoffrey Clifton-Brown:** The large towns, yes, but I'm not entirely sure that the large villages are there yet, but I may correspond with you about that. Both your answers give rise to further questions, but I think Mr Norris' answer on collection of this market information needs further teasing out. It has taken you quite a long time to gather this information. It is absolutely critical to your contracts whether you are going to rely on the commercial market to upgrade people or whether you are going to need Government intervention. Can I ask you more about that market-gathering exercise? In particular, moving from local to central procurement, have you actually captured all the data from the local procurement previously so that you know every single scheme that has been installed with the benefit of taxpayer money?

***Paul Norris:*** We are doing this every step of the way with our local delivery partners. We are absolutely picking up all that intelligence. Centralisation was for a very good reason. It is essentially economies of scale. We can run a sophisticated database and collect all this information nationwide, now from up to 70 suppliers. We can analyse it at lower cost than individual counties or local authorities could. We are certainly very thoughtful about the importance of connecting locally and listening locally.

As you will know, we publish a public review—essentially a public consultation—with a list of the premises that, based on the initial mapping, we expect to be non-commercial. We do get a lot of input from citizens, suppliers and local bodies. We agree that we would like to speed up this process. If you think back to last November, we had just launched our first regional procurement in Cumbria. As the permanent secretary has said, we have now launched 10. We have another four on the books to go in the next few weeks. We are learning as we scale, and we would hope to make time savings in the process, as we go, but it is important that we get it right from a value-for-money perspective.

Last time I referenced some of the changes we had seen as we went through that process. One that comes to mind is not for Gloucestershire, but for Norfolk, where you may also have an interest. In Norfolk we launched the procurement in April. If I wind back to last November, at that stage we modelled around 114,000 premises in that procurement lot. As we completed the data gathering process, that was whittled down to 86,000, of which just over 50,000 are in what we call the initial scope—the premises list that is known to be non-commercial. A further 30,000 or so are in what we call the deferred scope—premises that we have a reason to believe may be built commercially, but where there is still some element of doubt. We include those as a deferred scope, and we come back to build under the terms of the contract if required.

There is still a lot of change in the market. The programme and the data collection are designed to flex and adapt to that. On timescale—yes, we would love to do it quicker. We are aware that it is not a race to start this programme; it is a race to finish. That pre-procurement work for us, as with all major programmes, is critical to protect the VFM.

Q8 **Sir Geoffrey Clifton-Brown:** There is a lot of good news that both of you have given us this afternoon, which is great. Either of you can answer this question, because it cuts across both of your answers: are you confident that you have sufficient data to know what contracts you need to let to meet the 2025 target?

***Paul Norris:*** The short answer is yes. The 85% target is there as a milestone in 2025. All of our activity—we have set it out in the BDUK corporate plan and the procurement schedule, which is published in real time online, and we comment on quarterly in our reporting—is focused on getting to nationwide gigabit. The 85% is just a milestone along the way. I am satisfied with our data collection capability. One of the challenges is still that suppliers' plans change all the time. It is such a dynamic market that suppliers are thinking about where their competitors go, and then they are adapting accordingly. It really is a dynamic process, and that can create some challenges for us.

One of our lots that is a few months delayed is Hampshire. The reason it is delayed is that it is a regional procurement. We aimed to get that out in

April of this year, but as we went through the data collection exercise we were hit at the last minute by a change in one supplier's plans, which made a material difference. We had to press the pause button to reset. In the case of Hampshire, one of the consequences was that we cut that single regional contract into two—a local for the New Forest, and a regional for what remained. We have got systems in place, but we have to face the reality that the commercial market is changing all the time.

Q9 **Sir Geoffrey Clifton-Brown:** I am really interested in the 15% that are not going to be enabled by 2025. That is really widening the digital divide. If you are in that 14% of people in the Cotswolds—and Mr Smith has got plenty of people in this position in Wales—who are only receiving 1 megabit per second, you really are disadvantaged by not having proper broadband. Is the Outside In policy still in place?

***Sarah Healey:*** Yes, it absolutely is. Of course, we have more than 97% superfast coverage.

Q10 **Sir Geoffrey Clifton-Brown:** That will not help you if you are one of the 14% of people in the Cotswolds who only have 1 megabit per second.

***Sarah Healey:*** It is true that some people have sub-superfast speeds. It continues to be our absolute priority when we are designing those areas to focus as much as we can on areas that do not have access to superfast at present. As Paul set out, whenever we are planning those areas, we have to balance a number of different things. We have to balance what is value for money in terms of avoiding spending taxpayers' money when private sector financing could step in. We have to also think about creating contract areas that make sense for commercial suppliers to bid for. That means they have to be coherent areas, where suppliers can deliver at a reasonable cost. We try to balance that against speed. As you are pointing out, we are not going to do everywhere by 2025. There will be some places that remain without gigabit, although many of them will have superfast.

We want to go as quickly as possible, but there are obviously constraints to that against location, where obviously we want to focus on those areas. All of those different elements have to be balanced as we set out our procurement timetable. It is worth saying that there is always a voucher option available as well for areas that particularly lack speeds, but Paul might want to say a bit more about how we are making sure that, as far as possible, the sub-superfast areas are the ones that we target. But the main answer to your question is yes. Outside In is absolutely still our goal.

Q11 **Sir Geoffrey Clifton-Brown:** If I thought I was in that 15%, I would at least like to know about it, and I would like to know what your plans are. Why is it not until 2023 that you will be able to announce the plans for that remaining 15%?

***Paul Norris:*** If we take the case of any individual region—let's talk about the Cotswolds—we need to complete the mapping process. We need to establish the list of premises for which there is market failure, which then gives us the legal right to subsidise, so we need to go through that process to then be able to launch with a defined list of premises. All of the premises in your constituency, or in the Cotswolds region, that are non-commercial will be included in that list.

Q12 **Sir Geoffrey Clifton-Brown:** Does that apply throughout the UK?

***Paul Norris:*** That will apply region by region as we launch throughout the UK, so we have to complete that mapping. We launch procurements when we eventually sign the procurement with a supplier. At that stage, we will be able to work with local authorities and local bodies towards publicising the list of premises that are going to be covered through our interventions.

Q13 **Sir Geoffrey Clifton-Brown:** Will that be in 2023? Will everybody know in 2023 that they are in that 15% and what is being planned for them?

***Paul Norris:*** They will know that they are on the list of premises for which we are going out for procurement—yes, they will.

Q14 **Sir Geoffrey Clifton-Brown:** But they won't know when, necessarily.

***Paul Norris:*** They won't know when, necessarily, because we first need to sign the contract with suppliers.

***Sarah Healey:*** But they will now where they are in the pipeline.

***Paul Norris:*** They will know where they are in the pipeline. The winning supplier will itself have a very detailed build plan, which it will submit to us as part of its bid, so it is from the point of contract award that we will be able to start working with local bodies to give communities real visibility.

***Susannah Storey:*** We very much appreciate what you are saying, and we can completely appreciate why, if you are in a particular place, you want to know when you are going to be subject to the procurement if your area is uncommercial. One of the things we have really been trying to do is increase the transparency of the programme. Even since we last met, we have put out regular quarterly updates, because we agree with the NAO and the IPA that we want to be as transparent as possible. As Paul says, the idea is that we will set out the forward plan for all our procurements next year, and they will have a phasing. Once the procurement starts, as Paul says, you get to the point of the particular contract being let, so there will be some further specifics that will follow, but we hope that will at least help people understand when their area is likely to be in one of those procurements.

***Sarah Healey:*** I should emphasise again that, outside of that, vouchers are available. We are not talking about 14% that do not have superfast. In the Cotswolds, for instance, superfast is at 97%. While we all want to get to gigabit broadband as quickly as possible—it is more reliable and better for doing a whole range of things—it is not the same as having no, or very poor, internet if you have superfast.

Q15 **Sir Geoffrey Clifton-Brown:** I am just looking up the figures, which I think I have in front of me. I have a figure that says 1.4% in the Cotswolds are unable to receive 10 megabits per second.

***Sarah Healey:*** Mine says 0.8%, so there you go. We should reconcile this somehow. I was at the page too.

Q16 **Sir Geoffrey Clifton-Brown:** There we are; we all have different sets of data. Do you have any target for what percentage of that 85% should be rural? The Vodafone contract, which you so widely champion, brought a much higher percentage of urban people than rural people to a superfast standard. In other words, it almost widened the divide. Do you have any target within that 85% of how much rural and how much urban there should be?

***Paul Norris:*** The 85% is a combination of the market's delivery and the BDUK delivery. You asked us to give you more analysis on the urban-rural split, and we have done that as part of the transparency package that Susannah referred to. That analysis is available to you in the May quarterly update, and we will update it for you quarterly.

What that shows you is that in broad terms, rural and urban are keeping pace with each other in terms of fibre build, which might surprise you. Urban is a nose ahead across the UK, but if you also look at the largest builder, Openreach, they committed to DCMS and to Ofcom to what is called a balanced build, so they build in rural areas—broadly defined—in proportion to urban. When it comes to BDUK's subsidised delivery, it will not surprise you to hear that that is overwhelmingly rural.

**Sir Geoffrey Clifton-Brown:** That is what worries me.

***Paul Norris:*** Almost the entirety of our delivery today through superfast is rural, and 90% of our vouchers business is rural.

***Sarah Healey:*** But a far greater proportion of commercial build than we might have anticipated has been in rural areas.

Q17 **Sir Geoffrey Clifton-Brown:** Can we turn to the 0.3% of very hard to reach premises? Has a list of where those areas are been published? Would one know where those properties are, or not?

***Susannah Storey:*** The Government has just put out a response to its call for evidence on "very hard to reach". The way we define it, we think it is about 100,000 premises, so it is a very small proportion overall. We obviously want to find solutions for all premises, but we recognise that some of those will be above the value-for-money threshold, so the call for evidence was about, "What's the demand? What are the options?", and the Government's response sets out the position. However, we are going to come forward with policy proposals later on this year.

We do not have a map of exactly where they are—although we could probably estimate that between us—but yes, it is part of the overall programme, but a very small proportion. It is also worth noting that the USO is a safety net for those properties. The latest data we have is that about 78,600 premises would be eligible for the USO, so within 12 months, they should be able to get a decent offering.

Q18 **Sir Geoffrey Clifton-Brown:** Even if it were not possible to break it down by constituency, would it be possible to break it down by region when you publish, so that we can see where those 0.3% are largely based—whether it is Scotland, or somewhere else?

***Susannah Storey:*** At this stage, what we are thinking about is what the solutions are. For example, we might look at satellite technology. We are thinking about all different options, wherever they are: that is the policy approach. I am not sure at this stage exactly how the Government will present those proposals, but I take the point, and it may well be that some of them are in the most rural parts of the United Kingdom.

***Sarah Healey:*** We are really happy to take that away and think about whether, when we come out with further details on this, we can also indicate any kind of breakdown. I am not guaranteeing that we can, but I am very happy to try to build that into what we say about what happens next.

It is worth reflecting that obviously, there will always be a proportion that cannot be reached by normal services, just as there is for electricity, gas and water. Our aim in the consultation is to try to ensure that there is some form of solution for all of those properties. It is only about 100,000 premises, which against the total is a tiny proportion, but we want to come up with solutions for them, and that is exactly what we are aiming to do. As you will appreciate, the fact that they are the very hardest to reach means that we might need a range of different solutions for different ones.

Q19 **Sir Geoffrey Clifton-Brown:** I was going to help you, Ms Healey. I was going to say that they might be a very small proportion, but there would probably be a disproportionate cost to actually finding a solution.

Finally—all three of you could answer this question—I think constituents, particularly in an area like mine, would want to know what the limiting factor to rolling out the whole programme is. Why is it going to take until 2030? Is it because there are not sufficient suppliers out there to do this work? The Government seems to have allocated plenty of money, so it is not money that is the problem. What is the limiting factor, and is this affected by the possibility that some of the smaller ones will go out of business due to inflationary pressures?

***Paul Norris:*** What is the limiting factor? Our job is to get the whole country under contract as fast as we possibly can. It takes time to roll through the country region by region and, of course, work with the devolved Administrations. We expect to have launched the majority of our lots by the end of 2023, and we hope to get the majority under contract by the end of 2024. What takes time is the build. Our local contracts are three-year build; our regional contracts are three years for the initial scope; the deferred scope can be longer. The experience from superfast is that in some areas—Scotland is the best example—the build rates have been longer than that. To some extent, this does take time. It is a colossal engineering project, and it is about more than just getting a digger out down a country lane. It is about connecting back to the network and the backhaul.

***Sarah Healey:*** Also, the more you do, obviously the closer the connections get to other places and the more efficient it becomes, because you have connections closer together, but at the start that is not necessarily the case. There is a significant up-front investment.

***Susannah Storey:*** When we stand back and look at the overall programme of build, which as colleagues said is absolutely enormous because we are trying to get 31 million premises as fast as possible, we are trying to remove the limiting factors where we can. For example, as we have discussed before, on the commercial side, we have been trying to remove the barriers. You are right to mention inflationary pressures; we are monitoring them closely because we recognise that the economic backdrop is complicated. At this stage, it is fair to say that it has not had an undue impact, but even today I was talking to the CEO of Openreach, who was saying that, for example, fuel costs in a large business are high. We are aware of that, but at the moment it has not caused an issue. Anything that is within our control that we can do, we are trying to do. On the uncommercial areas, as Paul says, we are trying to get a steady pace of procurement based on the latest information.

Q20 **Chair:** It is interesting that you say you are doing anything you can, Ms Storey. Perhaps you can answer this question. In the recent Bill that went through Parliament, the access through wayleaves for the pre-2017 ducts can now be done on private land. It is not necessary to have an additional wayleave. I know more than I ever thought I wanted to know about wayleaves.

***Sarah Healey:*** Us too, possibly.

**Chair:** The Department has so far not allowed the same for telegraph poles on private land. I just wonder why, and what the barriers are to allowing access to telegraph poles without additional wayleaves. It is a barrier that you could sweep away, isn't it?

***Susannah Storey:*** If you are referring to the Product Security and Telecommunications Infrastructure Bill, which is in Lords Committee today, across all of that we are trying to get the right balance—to remove the barriers but ensure that there is a consensus among the operators. On some things, although they have strong views, the operators do not always agree.

Q21 **Chair:** A number of operators wrote a joint letter to you, Ms Healey, or to the Secretary of State, on 1 June. So there seems to be some agreement on the telegraph poles.

***Susannah Storey:*** Our Minister is in Committee today so I hope there will be further progress on some issues. We are trying in the Bill to get the right balance. We do not want to entrench unfair competition on the issue of telegraph poles. I take the point. There is a particular issue at the moment in relation to the right to automatically upgrade legacy networks. So there are some areas in the Bill on which there is still not consensus, but overall the Bill is trying to remove the barriers to delivery.

Q22 **Chair:** We will see what happens. It is difficult for you, because the Bill is in Committee today. It is in the hands of the democratically elected—well actually, the Lords are not democratically elected—*[Laughter.]* It is in the people's Parliament, or whatever we want to call it.

We have the latest figures for the urban areas—obviously, we know that the figures change slightly. My constituency is about as urban as you can get—20 minutes across it from end to end on a bike and not much longer; it is very small and very dense for the most part. My gigabit availability is only just above the national average at 65.4%, compared with other areas of the country—apart from Mr Smith's constituency, which is languishing at the bottom of the table. My constituency does not do so well. It is better than rural Norfolk, but not better than Richmond, Surrey, for example. I know why that is. It is because I have lots of multiple dwelling units, as they call them—blocks of flats. There is a big challenge about getting into them.

I have tried to table amendments to the Bill, but my concern is that getting wayleaves in is putting off the commercial providers. They will go and do the low-hanging fruit—the stuff that is easier to do—because they have targets to meet, and they keep putting the flats lower down the list because it is expensive to do. Have you got a solution for that? Is someone in the Department beavering away on a solution so that people in my constituency in other flats don't lose out?

***Susannah Storey:*** The Telecommunications Infrastructure (Leasehold Property) Act is the main legislative approach we have taken to help with flats and multi dwelling units. We have consulted on implementing the regs. We are slightly behind where we hoped to be. Last time, we said to you that we would have implemented the regs in spring; we are about six to eight weeks behind, but it will happen shortly. That is because there have been quite complicated conversations between the different stakeholders—where, for example, an operator is going to access a block of flats but the landholder has been non-responsive, the Minister is keen to ensure that we take proper steps so that they have been notified by recorded post, or whatever the detail is. It is just getting that balance right. It is very much in train, and we hope that will help. As you say, we want to make sure that MDUs are not left behind.

Q23 **Chair:** In simple terms, if someone already has copper equipment in there, will they be able to go in and put fibre in to increase the speeds?

***Susannah Storey:*** The Act helps with accessing the multi dwelling units if the property owner is unresponsive. So, yes, it does help with that.

Q24 **Chair:** That is what I thought. Even when owners are responsive, sometimes there are hefty fees attached applied to leaseholders, who are now increasingly struggling with energy bills; sometimes they have communal heating systems. There are lots of layers now. If people have cladding—can you imagine? On top of that, they might have an extra fee to have broadband, which their neighbours in other properties can get more easily. Can you give any comfort to people in that situation?

***Susannah Storey:*** The Product Security and Telecommunications Infrastructure Bill helps with the wayleaves point. Actually, many of the operators are already dealing with wayleaves very effectively. What the Bill is trying to do is make it as effective and efficient as possible. We agree with you: we would like to remove the barriers where possible.

***Sarah Healey:*** A lot of the operators are not finding those particular barriers with getting into multi dwelling units. I don't think we would take further legislative action until we were sure that it was a consistently experienced problem.

**Chair:** That is a challenge for me to go and corral my colleagues with a number of large MDUs in their constituencies. I think we have a meeting of a leasehold group next week, so watch this space. It is a really big challenge. It is extraordinary that in Shoreditch—the home of what previous Prime Ministers have called tech city, where we have all that amazing digital business growth—there are still residents who just cannot get gigabit broadband. Sir Geoffrey and I share a pain in different ways, between the rural Cotswolds and Shoreditch—who would have thought it?

We are now going to move, on our canter around the UK, to rural Wales with Mr Nick Smith MP.

Q25 **Nick Smith:** Thank you, Chair. I would give my right arm for your broadband connectivity. Afternoon, everybody. I want to continue on the issue of tackling hard to reach areas. Ms Healey, I wrote to you this week, and Mr Norris kindly responded in short order—thank you for that. The situation in Blaenau Gwent and parts of the south Wales valleys is very poor. That is the nub of it. For context, in Blaenau Gwent, fewer than one in 20 properties—just 5%—have gigabit broadband. It is the lowest in Wales. The truth is that things are hardly getting any better.

Mr Norris, one way you tried to support take-up was through the gigabit voucher scheme. In Blaenau Gwent, only two have been issued. That cannot be right, given the amount of need. What is the plan for areas like Blaenau Gwent, where there has so far been so little take-up of vouchers? You have talked about vouchers making a big difference in some places, but they aren't being taken up in lots of places, are they?

***Paul Norris:*** We would be very happy to work with you to understand how we could promote the vouchers scheme better in your constituency. Vouchers are of course part of the overall products set for Wales and for your constituency. I am happy to say that our public sector hubs have been more successful in your constituency, which has helped to take fibre to Abertillery library and various other locations in Ebbw Vale and Tredegar.

Wales is behind overall for gigabit coverage in the UK—we are conscious of that. We are working very hard with the Welsh Government, who lead on the Project Gigabit implementation with our very strong support. The Welsh Government have now completed the public review stage for the whole of Wales. The data is currently being analysed. The next step will be engagement with suppliers to develop that granular commercial strategy for procurements across Wales. We expect to be going out to procurement, supporting the Welsh Government, in 2023.

When it comes to your particular constituency, I think it is just a timing issue. Openreach, as you know, announced commercial build for much of your constituency last November, so it is still early days for Openreach in fully surveying and setting out their build programme. I spoke a few days ago to the technical director at Ogi telecom, which you might be familiar with; it aspires to be the No. 2 fibre builder to Openreach across Wales. It also has ambitions in places such as Ebbw Vale and Abertillery.

The most important principle is that whatever the commercial market does not do will be covered by Project Gigabit in the procurements as we get to those next year. Again, you might be surprised by how far the commercial market is going to go.

Q26 **Nick Smith:** First, can I take up your offer to work together on promoting vouchers? The good will is recognised and I will be very pleased to help promote the vouchers in my area. However, in the open market review in Wales, which was done by the Welsh Government, most of my constituency—it is greatly encouraging, however—was labelled as being "under review", which is defined as properties where suppliers have reported they will roll out commercial broadband, but where those plans are "at risk of not being completed". How serious are you really about seeing this through in areas such as the south Wales valleys? It is going really well in Cardiff and it has gone really well in Swansea. In the densely populated rural areas of the south Wales valleys, we are being left behind at the moment.

***Paul Norris:*** That is really the point of the public review phase, which, as I have said, is now complete for the whole of Wales. At the open market review stage, there was a draft list of what we think is non-commercial, still with some question marks, and the point of the public review is to resolve those. The end product will be a clear list of premises for Wales and your constituency that we believe are clearly non-commercial. As for all parts of the country, there is a further list of premises that we term in our deferred scope as premises that might be covered commercially, but, if not, we stand ready to come back and collect them afterwards.

Q27 **Nick Smith:** Could you please tell us a bit more about where things have gone well and where the barrier busting has worked so that we can think about introducing it in constituencies like mine?

***Sarah Healey:*** The key barrier-busting measures are the significant legislative measures that we have set out, plus the work that we have done on street works to enable this activity to take place commercially. The voucher scheme, as Paul has already said, is one of our key measures.

**Nick Smith:** Which is not working yet.

***Sarah Healey:*** Which we are very happy to work with you on. The other barrier-busting measures tend not to be focused on specific areas. It is more about identifying where there are overall barriers to commercial rollout. We have seen, obviously, the huge impact of those measures on our encouragement to investment, on Ofcom's work and on the super deduction all contributing to do that. It is less regionally focused and more nationally focused in breaking down barriers.

***Paul Norris:*** I would be happy to get on the train and run an event with you with suppliers and local officers, particularly the highways officer and the traffic planning folks in your area, and of course the Welsh Government. I am very happy to do that for any of you.

Q28 **Nick Smith:** In that case, here is an open invitation: it would be great to see you at the college in Ebbw Vale over the summer or in the autumn. We have just introduced a digital security course and a cyber-hub there, which has been a huge success. Lots of young people are trying to get into that growing sector; we need gigabit broadband in south Wales to help those young people to get a good start in life. It would be lovely if could come.

***Paul Norris:*** I would love to. If we could do that on a Friday, I would stay for the weekend.

**Chair:** Possibly not with Nick!

**Sir Geoffrey Clifton-Brown:** Spend the rest of the weekend in the Cotswolds!

**Chair:** I think you would be welcome in lots of parts of the country, Mr Norris. We will roll out the red carpet if you can deliver the broadband.

Q29 **Nick Smith:** I will capture you first, and if you get out you can visit other places. That is really helpful; thank you. It is important for us, and I am really pleased about your kind offer. I know that there are skills shortages in the sector. How will you ensure that BDUK has the right staff to deliver this project? Are any unfilled senior posts within your organisation getting in the way of improving the roll-out?

***Paul Norris:*** BDUK has grown as an organisation and, as you will be aware, we have been an executive agency of DCMS since 1 April. To give you a sense of that growth, we are currently 277 full-time equivalents from around 180 18 months ago. We have successfully added the data skills, data processing skills, IT skills, technical network planning skills, programme management skill and commercial skills that we need. We are still scaling as a programme. We have launched 10, but we need to move on to launch to next 40 over the next year.

Do we have gaps? Yes, there are always gaps, but nothing notable at the senior leadership team level.

***Susannah Storey:*** It has been great to see how the directorate has moved to being an executive agency and has a really cohesive culture and relentless focus on delivery, which will, I hope, be what you all expect. It has been impressive to see that. It will not grow exponentially, but we think we have, broadly, the right skills in place.

Q30 **Nick Smith:** Thank you. I want to talk about the cost of living and how difficult things are for many families across the country at the moment. I understand that the cost of gigabit broadband can, for some packages, be between £50 and £60 a month. At the moment, we have superfast broadband in my constituency; it costs about £20 a month. You can pay twice or nearly three times as much for gigabit. How affordable do you think that is for lots of areas across our country, and does that high cost not get in the way of take-up?

***Susannah Storey:*** That is a really important point. It will not surprise you to know that our Secretary of State is incredibly focused on making sure that we can tackle the cost of living in terms of telecoms. Earlier this week, she hosted a roundtable with the mobile and fixed operators. She said to them that they really have to do their part. She wants them to promote social tariffs more in particular, because at the moment we think of those eligible for social tariffs—people on universal credit or means-tested benefits, which is around 5 million people in total—only about 1% are taking social tariffs. The social tariffs would probably halve the bill.

It is hard to get into specifics on bills because there are so many different packages, both on fixed and mobile, and that can vary the bill, but in general terms, we think that social tariffs could roughly halve the bill. Some of the operators already have social tariffs, but the Secretary of State was really pushing them to promote them more. We have also worked with the DWP so that operators can quickly get the information about whether an individual is or is not in that category. She put out her cost of living commitments earlier this week. They include a whole load of things, but she is really saying, "Please promote these tariffs. Please think carefully about your customers through this period. Do not expose them, for example, to mid-contract price rises. Think carefully through the coming months." That is absolutely something that we are watching closely, as is the regulator, Ofcom.

Q31 **Nick Smith:** How many companies offer social tariffs?

***Susannah Storey:*** I think around 11 have got them at the moment.

**Nick Smith:** Out of how many?

***Susannah Storey:*** If you are talking fixed to mobile, there are huge amounts. A number of them have such tariffs, and I think more and more of them are starting to come forward with them. It is also worth saying that some tariffs, particularly on the mobile side, are already relatively low—say, for example, £10 a month. Not everybody who is eligible will want a social tariff, and some people in particular can already get the price point that they need. We are trying to make sure that all the companies are promoting them and we want as many as possible to come forward with them.

***Sarah Healey:*** On your very good point about investment, gigabit connections will be more expensive than superfast connections—that is a fact of life. I think it is important to say that everyone is in this for the long term. At moment gigabit connections are obviously significantly more expensive and will be more difficult for the people. Companies and the Government are in investment in gigabit for the long term, not for the short term.

Q32 **Nick Smith:** Thank you for that. I do not want to lose the social tariffs point, so I will push a bit harder on that. Do you have any data on the number of people who are getting the social tariffs, and how many people should get them? What share of the suppliers are buying into that concept? Will information be available on take-up so that we can assess different companies' record on this? It seems to me that a bit of transparency on that will help a lot with take-up. What plans have you got—sorry, it's a lot of questions, Chair—to market social tariffs, as a Government, to make sure that they are taken up, particularly in areas like mine?

***Sarah Healey:*** Let me give that a go. As previously said, social tariffs are available in about 99% of the UK, so they ought to be available to large numbers of people. As Susannah said, of the eligible 5 million families, at the moment Ofcom estimates that only 55,000 households have taken them up.

**Nick Smith:** Hardly any.

***Sarah Healey:*** Of those on universal credit, only 1.2% have taken them up. Awareness is quite low, too, and that is the whole purpose of the roundtable that the Secretary of State held this week and the work that we are now doing with providers to say that they need to promote those tariffs, encourage customers who need them to take them up, make the process of their taking them up easier and ensure that they are not making it difficult for people to switch tariff if they want to move on to a social tariff. Those are the commitments that the Secretary of State was looking for this week. Ofcom publishes affordability reports, giving data on this, and that is where the numbers are taken from.

***Susannah Storey:*** The last report was in March and it will publish a new one in the autumn. On your point, Mr Smith, about promoting them, as well as the companies promoting them, which we want them to do through all means—social media and other advertising—the Department has been working with DWP and DFE to put publicity in job centres and libraries just trying to raise awareness. We want to ensure that if people could be eligible to save money, they understand that, and then can do it.

Q33 **Nick Smith:** That is smashing, but the facts are that hardly anyone takes up those tariffs at the moment. Could you come back to us, please, on your plans to promote take-up so that it is much more effective in the future—if you looking for a pilot study, Mr Norris, we are up for that in Blaenau Gwent—to make sure that there is improved take-up for our communities across the country? I would be really grateful for that.

Another question about cost of living, and perhaps Ms Storey, you can answer this. What are you doing to make sure that companies that offer the different packages are much more transparent about what people are getting, so that it is clear what is available and what prices are the lowest in their area, so that there is a much better informed market for that important service?

***Susannah Storey:*** That is a really important point. The market is highly competitive, so you would expect that companies are promoting their competitive tariffs to individuals so that they can take them up. The regulator, Ofcom, obviously keeps an eye on the companies to make sure that they are giving the correct information. For example, it requires them to make sure to notify individuals when they are coming to an end of contract point, because that might be the point when they want to change. There are market dynamics and some regulatory dynamics.

Q34 **Nick Smith:** Do you think it is working? Do you think that the market is sufficiently transparent and that consumers are getting a good enough deal about what they are buying and the value of it?

***Susannah Storey:*** It is one of those things, isn't it? That is a very broad question. For lots of individuals, perhaps they are and I think we all need to be extremely focused on these issues, particularly with the cost of living background. It is something that we will be keeping a very close eye on. Our Secretary of State will certainly ensure that we are monitoring those issues, and that is why, particularly as we go into the autumn, we will be very focused on that.

***Sarah Healey:*** It is worth saying that traditionally, telecoms has been a very competitive market on price, especially if you compare the costs of both broadband and mobile in this country with comparative countries. That is something where, obviously, we moved in recent times towards encouraging Ofcom to encourage investment, where previously its focus was very much on consumer pricing and competition. We want that investment, as we have discussed in this Committee since we started talking, but we also must keep an eye on ensuring that we are driving the competitive market alongside.

Q35 **Nick Smith:** One more question from me, which goes back to the bigger picture, Mr Norris. Across the country, the gap between gigabit in the cities and in rural areas has actually widened since you came here just a few months ago. We all get that it is easier for you to reach your 85% target in the cities—in Shoreditch, tech valley, and all of those sorts of places—but do you think that is acceptable, in the big picture, that, still, large chunks of our rural communities and small towns are being left behind?

***Paul Norris:*** There are two components to what is happening. The Virgin network, which is more of an urban network and covers just over half of the UK, has clearly been upgraded for gigabit-capable.

**Nick Smith:** Fair enough, it's been great. It's gone off like billy-o. Great.

***Paul Norris:*** That is right, but the pure fibre build has also gone off like billy-o. I think I described in an earlier answer that if you look at just the pure fibre build, the rate of build is actually fairly balanced across rural and urban. We did include some analysis on that in the spring quarterly update. I hear that it is of continued interest to the Committee, and we will ensure that, from quarter to quarter, we give you a running commentary.

***Sarah Healey:*** It is worth saying that, obviously the Virgin upgrade has made a big difference to this, as Paul has set out, but where it is not to do with an upgrade, and it is actually to do with build, we have seen relatively even grades between rural and urban areas. I think that that suggests that on the build terms, which is where a lot of it will be going forward, the gap is not widening to quite the extent that we may have been worried that it would in the past.

**Nick Smith:** Thank you for that. I look forward to seeing you in a few months, Mr Norris.

**Chair:** Mr Grant, you've got to up your offer, I think. Over to you.

Q36 **Peter Grant:** Thanks, Chair. Mr Norris, how closely and how consistently are you working with digital champions in different parts of the UK?

***Paul Norris:*** We have a local delivery team, and they interface with the digital champions around the country. We try to work very closely with them, and when I do get out and visit, it is typical that the digital champion is part of that discussion group. I was in the Black Country, for example, last week, at an event organised by the digital champion, so they have an important role to play.

Q37 **Peter Grant:** Are you satisfied that the co-operation that you saw in the Black Country is being replicated everywhere else?

***Paul Norris:*** We have seen continued support for this digital infrastructure agenda across most local bodies across the UK, so that concern, which I think the Committee had perhaps 18 months or so ago, that the local resource would just be withdrawn is not something that we have seen develop on the ground, but it is something that, of course, we will always keep under review.

Q38 **Peter Grant:** Thank you. I want to move on now to the three contracts that, at the end of May, you indicated you expected to have signed in August. There was one in Dorset, one in Teesside and one in Northumberland, if I remember correctly. Do you still expect those contracts to be signed in August?

***Paul Norris:*** Yes. The programme has moved a long way. We have live bids in these situations, which means that there is not very much more I can say, but we are on track.

Q39 **Peter Grant:** I can appreciate that, especially if you are assessing bids, then that is very sensitive, but do the contracts give a completion-by date? I take it that there is a time limit for when they are meant to complete the contract. Will you tell us what the duration of the contract is?

***Paul Norris:*** Yes. Bidders have submitted build plans, and the duration of build is one factor that we assess as we evaluate the bids.

Q40 **Peter Grant:** So duration was not built into the specification; it is something that you invited the bidders to indicate.

***Paul Norris:*** That is right. We set out our expectations, but suppliers submit a build plan and timescale as part of their overall package.

Q41 **Peter Grant:** Where does the balance of risk lie within the contracts, if inflation is higher than expected when the bids come in?

***Paul Norris:*** It is a very good question. Inflation risk is essentially on the supplier, but, as for any Government major programme, ultimately the risk is on us, because we want to see the delivery.

We touched on inflation earlier. It is a concern for all major programmes. The recent history in this telecoms infrastructure market has been one of price deflation, in fact. Through 2021, Openreach and others reported that, because of the tremendous volume going through, they were seeing lower costs for connecting each premise. So, we have had some deflationary tailwinds, but we are now facing significant global inflation headwinds. It is just too early to say how that will play out over the next year or so.

Q42 **Peter Grant:** Presumably, these contracts are for areas that are harder to connect, so would you expect the cost per premise to be higher than the ones you have already taken on?

***Paul Norris:*** Higher than we might have expected six or nine months ago? Clearly, there has been an inflation shock on the upside, which will impact many component parts of the supply chain. As we assess the first few bids, again it is too early to be conclusive about, ultimately, what the impact is on the £5 billion for the programme over its life to 100% nationwide. That is not at the top of my risk register but, clearly, it is something that we monitor day to day and week to week.

Q43 **Peter Grant:** Going back to the comments you made about deflation in the market at one point, is it correct to believe that the kind of costs that the providers will have to meet if they are working in a densely populated area are likely to be different from the kind of costs that they will have to carry if they are in a more sparsely populated area? Might that be a warning that what has happened to the average price for a connection in a densely populated area would not necessarily give any assurance as to what happens when providers get out into more rural areas? Have you taken account of that uncertainty?

***Paul Norris:*** Yes. That is a fair point. The cost of the capital connection is lower, clearly, in urban relative to rural. That is the whole point of our programme. So, yes, we are more labour-intensive for the BDUK-subsidised premises than the market is for commercial build. We will be sensitive to labour rates and somewhat sensitive to equipment costs, but labour is the biggest cost to our build.

Q44 **Peter Grant:** You published figures on 30 May to indicate that about 20.6 million premises had been connected. I think that there is a possibility of some double counting in that, but not very much. Given that 83.9% of those premises have been connected by one of the two main suppliers, is that the kind of competitive, dynamic market that was envisaged when this process started? Are you comfortable with two big suppliers holding such a dominant position in the market?

***Paul Norris:*** I think you drew that from the data in our spring update. Again, you as a Committee asked us to include those splits for build by supplier, which we have done and will update quarterly. As you rightly say, you have two very big suppliers in the market today, Virgin and Openreach, with CityFibre hot on their heels. You have an extremely vibrant market here, and many other altnets, as they are called—alternative networks—are setting themselves up as regional champions. I mentioned Ogi earlier, for Wales. In practice, there is effective competition developing across most of the UK.

***Sarah Healey:*** The Virgin supplier numbers are, obviously, partly driven simply by the fact of the network and the upgrade to the network. That is a historical issue. Without deciding that we did not want the upgrades to the network, that was inevitably going to be the case to some degree. As Paul says, it is important to recognise the amount of growth in the smaller suppliers in recent times.

Q45 **Peter Grant:** Thank you for that. Mr Norris, I think your words were that CityFibre is "hot on the heels" of Openreach and Virgin. Your own figures suggest that CityFibre has delivered 1.5 million properties. The next one above them, Openreach, is 7.2 million—almost five times as many—and Virgin 16.8 million.

***Paul Norris:*** It is. CityFibre has gone public. First of all, it recently raised another £5 billion of capital. Its target is 8 million premises for build across the UK. It has also gone public as it raised that additional £5 million, and it says that it will be bidding for BDUK procurements, with a view to building at least a further million premises. These alternative networks are operating at scale, and they are a really meaningful force in this marketplace. They will be a force for good for consumers.

***Susannah Storey:*** I think, as my colleagues have said, overall we have been positively surprised by the commercial market, because the conditions that we have been seeking to ensure—clear ambition from Government and a stable regulatory environment—have promoted a lot of competition. Right now, there are still the bigger players and the smaller ones, some of which are regional, but we expect that over time we will continue to have this positive effect for consumers and for speed of build from the competition.

Q46 **Peter Grant:** Thank you. You have discussed the target of 85% reach by 2025. How do you envisage that 85% being split between market-delivered and commercially viable as distinct from either directly or indirectly subsidised or supported by the Government?

***Paul Norris:*** We set that out in the BDUK corporate plan, which was the April document. We have said that our central expectation is for the commercial market to deliver 80%, and then the subsided interventions the other 5%. Again, really to emphasise that the 85% is a milestone along the way. This programme has always been about the activity required to get to nationwide—99% plus—and then the very hard to reach, which we have discussed, is still under policy development.

Q47 **Peter Grant:** Out of the 68% figure that I think you quoted, Ms Healey, what is the split there between commercially and Government supported? What has actually been delivered so far?

***Paul Norris:*** I can answer that. Two percentage points of that 68% has been covered with the assistance of our subsidies.

***Sarah Healey:*** That is, of the 5% that we need to cover, we have covered two percentage points already.

Q48 **Peter Grant:** Do those figures cover the whole UK, or are they England and Wales only?

***Paul Norris:*** The whole UK.

**Peter Grant:** So the UK Government's contribution to date has been to support the installation of high-speed broadband or ultra-high-speed broadband to 2% of homes in the UK. That is it.

**Sir Geoffrey Clifton-Brown:** Mr Norris, when you go to Wales, may I invite you to stop by and stay in the beautiful Cotswolds on the way home? The next day, I will take you to some of the most beautiful and most unconnected areas in the country. I dangle that little carrot before you.

**Nick Smith:** It sounds like a road trip.

**Chair:** The Public Accounts Committee is getting into a dangerous place when bribery starts coming into it.

Q49 **Sir Geoffrey Clifton-Brown:** Just to touch on one or two things, your answer that the build rates at the moment are equal in rural and urban areas belies the fact—I will come on to the phrase "passing by" in a minute—that there is a much larger number of houses in urban areas than in rural areas. If you do not want to increase that divide, you have to be building out at a quicker rate in the rural areas than the urban ones. Is that right?

***Paul Norris:*** Yes, on a per-kilometre basis. The answer I gave was on a premises basis.

**Sir Geoffrey Clifton-Brown:** It was on a premises basis.

***Paul Norris:*** Yes, it was. It is surprising to us, as well as to you, as we collect the data from quarter to quarter.

Q50 **Chair:** Is that because it is not being trunked? It is just going through the telegraph poles, which I understand from the suppliers is a lot quicker and easier to do.

***Paul Norris:*** Yes. The alternative networks in particular are making use of the Openreach infrastructure. They are making use of the poles and ducts. They are piggybacking off the Openreach network, which facilitates much easier build on rural, again, than they might have expected a year or two ago, so that is a good news story. There will be further technology development, which may be relevant for rural builds. It goes back to the inflation-deflation balance. There will be technology that makes this cheaper over time.

Q51 **Sir Geoffrey Clifton-Brown:** I want to come on to the inflationary effects. Increasingly, we are seeing the phrase "passing by" being used in your documents. A cable may pass by your house or flat but that does not mean you are necessarily connected or even want to be connected. In an inflationary time, with the cost of living pressure, you may not actually be able to afford to be connected. Are you producing statistics of how many people are actually connected, as opposed to how many might be connected?

***Paul Norris:*** We could certainly look at building that into the quarterly reporting. The suppliers themselves—Openreach and BT—report these numbers. It is a public company; it is public domain. They report fibre take-up on a quarterly basis. It is currently in the low 20 per cents, which is actually not bad. It is roughly where superfast take-up was a decade ago. Many alternative networks are private companies, so that take-up data will not necessarily be in the public domain.

**Sir Geoffrey Clifton-Brown:** Yes. We have a very good table here—

**Chair:** From your roundtable.

Q52 **Sir Geoffrey Clifton-Brown:** The table shows us what the roll-out is. While you say there are two dominant players in the market, there is a number of very small players, and I am concentrating on them. Gigaclear is doing a great job in Gloucestershire and, given a bit of encouragement, I am sure it could do a bit more.

***Paul Norris:*** We agree that companies such as Gigaclear are doing a terrific job. It is a good example of a rural specialist. Clearly, we want to encourage that group of suppliers. If you think about the procurement strategy that we described before, we have three different procurement vehicles. The local vehicle is for builds of typically around 10,000 premises, so it is designed to be very well suited to these rural specialists, which may be a bit smaller. The regional contracts, which can be up to 100,000 premises, are best suited to the larger alt-nets, and then we still have the potential for a cross-regional procurement type for the largest operators. We seek to harness the capacity and capability of all these suppliers. For obvious reasons, we need to get everybody building as quickly as we possibly can across the UK.

Q53 **Sir Geoffrey Clifton-Brown:** Last question from me: I know from talking to the senior directors of Gigaclear that they calculate their figures very carefully on what an individual scheme will cost according to an estimated take-up. If, because of the cost of living pressures, that take-up starts to drop, presumably your contracts will increase in price. Are you factoring that in?

***Paul Norris:*** Yes is the short answer. You are quite right that it is up to the supplier to submit a financial plan. Take-up will be a critical component in that. It is the revenue line for the supplier. The permanent secretary said earlier that this is a long-term business.

Q54 **Sir Geoffrey Clifton-Brown:** Not too long, I hope.

***Paul Norris:*** Suppliers and their investors are taking a long-term view of this market. They are taking the bet that we are—that this is future proof and that fibre is the future for the next 50-plus years. It is a programme that should be robust, I think, through an economic cycle.

Q55 **Sir Geoffrey Clifton-Brown:** I get the point about the long term, because if we put the fibre in, we will get more joiners in and people will use more of the capacity anyway. Nevertheless, if you are a small company such as Gigaclear, you have to actually survive in the short term. Therefore, you have to charge a realistic price, with the very expensive bit of labour and actually digging up the roads to put the fibre in in the first place.

***Sarah Healey:*** Yes. I mean, you do.

***Paul Norris:*** Agreed. Perhaps the best signal yet is the capital markets signal. As we sit here today, capital markets continue to provide funding for these businesses. They are clearly aware, as we all are, that there are cost of living pressures, but they are still willing to provide the capital for this greenfield build.

Q56 **Chair:** We do not have an energy company problem coming down the line, that is what we are saying.

***Paul Norris:*** Yes. We have all seen what is going on in energy. Is there a scenario in which we see a return to the early 2000s in the telecom industry, when the original cable companies collapsed into one? That is clearly a scenario that people think about in my industry. We clearly try to get ahead of that in the way we construct our contracts. There is a requirement for what we call a living will, so that in the event that a supplier went under, there would be an orderly path to the likely acquisition of the assets and continuation of service.

***Susannah Storey:*** Paul is obviously here to think about the risk and the downside, but what we are trying to do is build digital infrastructure for the long term and build ahead of demand, exactly to the point, because the way society has changed—we have all seen it through covid, haven't we?—means we want to make sure that we have the right availability. At the moment, notwithstanding the inflationary backdrop, the capital markets are still positive and that is why we have seen something like 70 operators coming into the market. We will keep a close eye on it, but I think that long-term demand signal should be there.

Q57 **Sir Geoffrey Clifton-Brown:** The problem with covid is that it has brought about a step change in demand, particularly from those people who do not have the broadband. They are, of course, pressing even harder now to want to have it. In a sense, your job is now more difficult.

***Susannah Storey:*** Well, we see our job as really important and that is why we are just very focused on this steady set of procurements and, as we have said, making sure that we have the right data and that we are getting the balance right on value for money and delivery.

***Sarah Healey:*** And because of the demand—as you say, people have recognised the benefits—I am sure that has helped with some of the commercial build plans as well. Where this was a much longer tail of demand, it has probably come forwards more and that, as well as our Government interventions in the market, may be part of why we have seen such a rapid acceleration in commercial build plans and that going into rural areas as well as more traditionally commercially designated areas.

Q58 **Chair:** On vouchers, we have been concerned about the number of vouchers not being taken up. Mr Smith covered that briefly, but on the two percentage points that you have reached in terms of the areas where you wanted to roll out, how many of those were down to vouchers? How well were they used in achieving that?

***Paul Norris:*** If we may, we will come back to you with an answer to that. As you know, as an executive agency, we will publish our first performance report in July. That is a split that we intend to give in that performance report.

Q59 **Chair:** The vouchers are obviously an asset, but if they are being issued but not used, that is not really helping anyway, is it?

***Susannah Storey:*** We have published the amount of take-up of vouchers. We have published 47,000 vouchers in the last year—something like that.

Q60 **Chair:** I have lost the figure. I had the figure to hand.

***Susannah Storey:*** We can come back to the Committee in terms of the percentage that it translates into.

Q61 **Chair:** And also with the cost of living increases, are the vouchers still at the right level to encourage people?

***Susannah Storey:*** Yes—we can come back on that.

Q62 **Sir Geoffrey Clifton-Brown:** The Shared Rural Network, SRN, is a world-leading, £1 billion Government deal with the UK's four mobile operators—EE, O2, Three and Vodafone. It will see both public and private investment in a network of new and existing phone masts, closing notspots and levelling up connectivity across every corner of the UK.

What changes have taken place since summer 2021?

***Sarah Healey:*** Quite significant changes. In a number of a different elements of the programme. Vodafone, O2 and Three have erected 46 new masts, which is a quarter of the total planned—this is the industry-funded element. EE has upgraded 850 masts, which is almost half its total commitment over the life of the programme, and that is intended to complete delivery by June 2024.

The Government-funded elements are moving into delivery now, managed by DMSL. The total notspots part of the programme is benefiting Scotland in particular and that is under way.

The third part is all about using the existing Home Office extended area service masts, and we have approved 47 sites of the 252 from a value-for-money perspective. We are assessing at a rate of 20 a month on that. Those sites will be handed over to the mobile network operators for commercial use in 2023. Overall, we are on target to deliver combined coverage to reach 95% of the UK land mass by the end of 2025 and then we will continue to deliver coverage improvements beyond that point.

Q63 **Sir Geoffrey Clifton-Brown:** Thank you very much. That is very helpful indeed. What action have you taken to ensure that there is no delay in publishing your accounting officer assessments in the future?

***Sarah Healey:*** I should apologise; there was an administrative error in the Department and we now have a much better established system, which the IPA has approved for us to ensure that all our accounting officer assessments are published promptly.

Q64 **Sir Geoffrey Clifton-Brown:** That is very helpful. It is important that we as a Committee, and Parliament, know when these assessments are made.

***Sarah Healey:*** I completely agree.

Q65 **Sir Geoffrey Clifton-Brown:** You acknowledge that some of the risks that we raised around the delivery of the programme are valid concerns. So why did you not include them in your summary assessment?

***Sarah Healey:*** I might turn to Paul on that one.

***Paul Norris:*** We responded to your letter fleshing out those risks and issues. There were a number on the list. The first thing to say is that this is about getting more masts lit up around the UK. The way to think about it is as an infrastructure programme, not really an equipment programme, so the Huawei issue is much less of an issue for us than you might imagine. That was issue 1.

Perhaps I will just comment on the oversight issues. How do we oversee that grant agreement? The key thing to understand here is that we have real teeth. This has been constructed by DCMS and Ofcom, with Ofcom, if you like, acting as referee. At two points in the middle of 2024, and again in 2027, Ofcom will determine whether the mobile network operators have met their coverage obligations under this programme. In the event that they have missed, there are potential fines that are applicable, which are up to 10% of global turnover—just imagine Vodafone's global turnover. It has real teeth.

**Chair:** Who gets the money if they are fined? Does it go to your Department?

***Paul Norris:*** I might also say that all parties are working constructively together, including the Home Office, the four mobile network operators, DMSL—the joint venture that provides a conduit for the total notspot part of the programme—and BDUK. We have teeth, but the relationships are also working well, and this is a programme that is on track.

***Sarah Healey:*** Fundamentally, the accounting officer in their assessment highlights the risks that the team feel are the most pertinent at the time. It does not mean there are not other ones, but they were ones we were comfortable we had mitigated.

Q66 **Sir Geoffrey Clifton-Brown:** Of course, you can only assess on what you know at a particular time. Given both your helpful answers that you are on track to deliver this 95% target, is the data published for the 5%? I know there are certain notspots in my constituency. It drives me mad when I am driving about—hands-free, so perfectly safe—and I know I am going to lose phone signal. Is the data published about where the notspots that are not going to be dealt with are?

***Paul Norris:*** There is a wrinkle here, which is that for the partial notspot part of the programme—the industry-funded part of the programme, which the permanent secretary has referred to—this is to some extent competitive data. What we can do, and what I would be delighted to do, would be to arrange for DMSL to give you a briefing on your constituency. For the grant-funded part of the programme, we will have that data as we move into site acquisition and then build. Again, we will be thoughtful about how we share that with you.

Q67 **Sir Geoffrey Clifton-Brown:** That is very helpful, thank you. The final question from me is to Ms Healey. How are you ensuring you have the right information at the right time to support your accounting officer's assessment? I accept that you can only assess on what you know, but how are you getting the data from the commercial sector in real time so that you can make an up-to-date assessment?

***Sarah Healey:*** We work incredibly closely with the commercial sector at all times on those sorts of issues, and Paul has an extensive programme or set of arrangements in order to report information from them and to be able to flag risks where they occur. That goes into a programme board that meets in the Department. I do not have any concerns that if there were issues there, they would not be flagged to me at the right point. With the new BDUK Executive agency relationship, we also have a sponsor relationship specifically, which is there to hold BDUK to account and ensure that we are aware of exactly what is happening on the key programmes that BDUK is delivering.

**Sir Geoffrey Clifton-Brown:** Going back to broadband, I am not entirely sure how BDUK interacts with the rural pilot.

**Chair:** The shared rural network?

Q68 **Sir Geoffrey Clifton-Brown:** The shared rural network, yes. How do the two interact?

***Paul Norris:*** Well, the two are our flagship programmes at BDUK.

***Sarah Healey:*** BDUK is the delivery agency for both.

Q69 **Sir Geoffrey Clifton-Brown:** For both, okay.

***Paul Norris:*** We are the telecom delivery agency for DCMS for both programmes. We also oversee the, if you like, legacy programmes—including superfast and LFFN for public sector hubs and so on.

**Sir Geoffrey Clifton-Brown:** I would certainly like to take up your offer of getting a briefing on what the progress is on notspots in my patch.

**Chair:** You will come away with a very long to-do list. Over to Louie French.

Q70 **Mr French:** Good afternoon, everyone. I have a few questions about the gambling element of the Department's work. It links in quite nicely with the estimates from the Gambling Commission that one in four Brits now gambles online. I am sure that thread will come through from the broadband connection to what we will talk about next. I note the speculation in the media this morning around the imminent announcement of the gambling review White Paper, but the Committee has previously raised concerns about delays in publishing the White Paper. Why has it been so delayed?

***Sarah Healey:*** It is the most significant piece of gambling legislative reform since the Act. We have clearly had an enormous amount of interest. We wanted to ensure that we analysed all the evidence presented to us very carefully and worked through a set of proposals that we are sure strike the right balance in tackling gambling-related harms and addressing some of the issues in the industry. We obviously originally did want to have published it slightly earlier, but we thought it was more important to get it right than to get it out. We have obviously taken quite a lot of action on gambling-related harms quite separately from the gambling review, including bans on credit cards and the changes to the ages.

We have taken the Gambling Commission, which has been significantly strengthened since this Committee conducted an inquiry on gambling back in 2020. It has been significantly strengthened in a number of ways, with changes of leadership and also significant increases in its fees, so that it can take more action.

We have also intervened more to ensure the control of gambling-related advertising and the targeting of that advertising. These are all things that we have done quite separately from the gambling review, because we recognise that action needed to be taken before all these measures could be put together in a White Paper. We anticipate the White Paper being published in the coming weeks, so it will appear soon. Obviously, however, in advance of that, neither Ruth nor I could comment on press speculation or otherwise about its contents.

Q71 **Mr French:** I appreciate that, and you have answered one of my questions by saying it will appear in the coming weeks. I will not try to front-run any policy announcements. As you highlight, this is obviously a high-stakes policy, in terms of getting the balance right between the estimated 119,000 jobs in the gambling industry and the huge take in terms of tax revenue, and also, as you highlight, the devastating impact that problem gambling that can have on families across the country.

Obviously, there has been significant delay since the call for evidence closed in 2021. I appreciate what you are saying about other measures that have been taken in the meantime, but does the Department recognise the impact that these delays and the uncertainty created have had on both sides of the argument—on the businesses involved and the families who are impacted by problem gambling?

***Sarah Healey:*** That is why we have made a careful calculation at all times about the balance between producing something at greater speed that we are less confident about when it is such a fundamental piece of reform. But I don't have anything further to add to that point, really. I'm not sure if you do, Ruth.

***Ruth Hannant:*** The permanent secretary, when she appeared before the Committee last time, ran through a number of the actions that we have taken and that have gone through. However, even since Sarah appeared before you last autumn, there have been further actions that we and the Gambling Commission have taken.

In April, the Gambling Commission announced that it was introducing tougher rules on how operators need to identify and interact with those who are potentially at risk. The Advertising Standards Authority has banned content in gambling adverts that has a strong appeal to children. The Gambling Commission has also been doing lots of work with operators, for example on developing the single customer view.

There is lots of activity that has continued to go on while the review has been ongoing, so we absolutely recognise that concern, but it is a really knotty set of issues that it is really important that we have worked through.

Also, obviously we had a new set of Ministers last September, and our new Ministers really wanted, as part of that, to get out themselves and meet affected people, both those who have lived experience and campaign groups, as well as meeting the industry. It has been really important to do that engagement.

Q72 **Mr French:** We all recognise the extensive lobbying that you have probably been receiving from those on both sides of the argument here. However, going back to the original point about the number of sponsors coming through to the call for evidence, was the Department taken slightly off guard by the number of responses—I think that it was 16,000—that you had?

***Sarah Healey:*** Not totally off guard, but obviously the issues that it threw up were significant and needed to be analysed seriously and thoroughly, in order to come up with a set of proposals that we felt would achieve the right balance.

Q73 **Mr French:** I have just one more question on that part, if I may. I appreciate the complexities here and what is at stake. However, in terms of future learning from potential calls for evidence, is there something that the Department and other Departments might be able to learn from this experience, based on the volume rather than just the complex nature of those responses? Is there an issue around resourcing, for example, around receiving 16,000 responses, or is this just because of how complex—?

***Sarah Healey:*** Gambling in particular is kind of complex. For those who have been extensively involved with Government process, sometimes we have a degree of optimism bias about how quickly we will be able to deliver pieces of complex legislation. We should probably have less optimism bias, but we try and push to deliver as quickly as we possibly can. Nevertheless, we will always take our time to get that right rather than rush out something that we think is not appropriate or fit for purpose.

***Ruth Hannant:*** Of those 16,000 responses—obviously a very large number—15,000 were a pro forma response that had come in from 38 Degrees. We received 500 substantive responses that it was very important that we engaged with, as well as a number of single-issue responses. There was a huge amount of information for us to get through, but perhaps not as much as the 16,000 number might initially suggest.

**Chair:** We also get those pro forma letters.

Q74 **Mr French:** You beat me to it, Chair. We are all used to those pro forma campaigns. Thank you; it is very helpful to know the feedback that has been coming through.

On the delay and the impact, one of our previous recommendations has been to close the gaps in redress arrangements for customers. How do you see the delay impacting on those cases where there have been breaches of the social responsibility code, which has had an impact on customers? The target implementation recommendation was a nearly a year ago, so what impact do you see that delay having on such issues?

***Sarah Healey:*** We will be addressing that in the White Paper.

***Ruth Hannant:*** In terms of the substantive responses that we received, it was one of the key issues. We have had to give careful consideration to it, and obviously we will respond to that in the White Paper. We have been working it through. In terms of the impact, it is something that we have considered in the responses, but I am not sure that there is much more that I have got to add, I am afraid.

Q75 **Mr French:** So we can expect some kind of tightening, so that customers are better protected, hopefully.

***Sarah Healey:*** We cannot comment on the content of the White Paper, sorry.

Q76 **Peter Grant:** At that the start of that exchange, did I hear correctly that you used a phrase, Ms Healey, something like "we hoped to move on it slightly earlier"?

***Sarah Healey:*** Sorry?

**Peter Grant:** Did I pick you up correctly in your answer to the first question from Mr French about the delays? Did you actually use the phrase "we hoped to do something slightly earlier"?

***Sarah Healey:*** We obviously came before the Committee in November, and at that point we were hoping that it would be earlier in the year than it has been.

Q77 **Peter Grant:** In May 2021, the Department, in the Treasury minute, expected the White Paper to be published later in 2021. Then, in November, you said you expected it early in the new year. We are now literally 24 hours away from halfway through the new year, and you are now saying that it will be published in the coming weeks, but we do not know when. Every day that we delay, somebody dies at their own hand because of problem gambling. Are you satisfied that those who are working on this review, including your Ministers, understand that this is a life and death issue for a lot of people? Although it is important to get it right, 200 people have died at their own hands since the originally intended publication date for the White Paper. Do your Department and your Ministers understand how important time is here?

***Sarah Healey:*** Yes we do.

Q78 **Peter Grant:** So why has it taken so long? Is it because you have been lobbied so hard by the gambling industry?

***Sarah Healey:*** No, it is because we have taken our time to get the proposals right.

Q79 **Peter Grant:** Thank you. I want to look at one other aspect of the gambling industry, the GambleAware charity. Is it realistic to expect it to be completely independent of the gambling industry, when practically every penny it gets comes either directly or indirectly from gambling companies?

***Ruth Hannant:*** Obviously, it is funded via a voluntary levy from the gambling industry, but it has an entirely independent board, set up as an independent charity, to do that. What GambleAware does in terms of commissioning services for treatment, commissioning research and all the good work that it does on safer gambling, while funded by the industry, is entirely independent of the industry, because of the way it has been established.

Q80 **Peter Grant:** Is it within the spirit of rules about gambling advertising that, to the best of my knowledge, every single television advert for GambleAware that I have ever seen has also had the logo and the name of a gambling company on it? At the same time as advertising an organisation to help problem gamblers, it is advertising the name of the company that probably made them into problem gamblers in the first place. Do you understand that people who are living with the loss of having had a severe problem gambler in their family cannot understand why the big gambling companies are allowed to coat-tail on good cause advertising for a gambling-related charity?

***Ruth Hannant:*** I understand that. Obviously, gambling related advertising is one of the things that we are looking at through the review. Often, advertisements that refer to GambleAware are actually advertisements for gambling. One of the things we require is that any advert for gambling-related activity makes very clear the support that is available and what operators need to do to make sure that people are considering that they are gambling responsibly. The two are closely linked. It is absolutely something that we have looked at through the review. It is one of the key elements to it. As Sarah says, Ministers will come forward with proposals in the coming weeks.

Q81 **Peter Grant:** Are we talking about a White Paper being published in the coming weeks? Will that be before or after summer recess?

***Sarah Healey:*** All I can say is that we are looking for it to come forward in the coming weeks.

**Peter Grant:** Yes, but Christmas in the coming weeks. It is just more coming weeks.

**Chair:** To be fair, I think Ms Healey at this point is in the hands of the Government business managers. Even the Secretary of State might not be able to work through that. It is very hard.

Q82 **Peter Grant:** To the best of your knowledge, is there a White Paper that is just about ready to go, or are there still key elements of it that—

***Sarah Healey:*** I just do not want to start commenting on internal Government processes to precisely produce a piece of—it is for Ministers to present it to Parliament at the appropriate point when it is ready.

Q83 **Peter Grant:** So is it with Ministers just now.

***Sarah Healey:*** I am honestly not commenting on the internal processes of Government to agree a White Paper or otherwise.

**Chair:** We can guess a number of stages it may be going through. I think Ms Healey is conflicted in answering that question.

Q84 **Mr French:** The national lottery tendering process been receiving a lot of attention—I will put it that way. Can you provide an update on where we are in terms of the legal process and the change of operator?

***Sarah Healey:*** Judgment was handed down this morning in the High Court to the application from the Gambling Commission to lift the stay on appointing Allwyn as the new provider. The judge found for the Gambling Commission. The overall legal proceedings—obviously, this judgment is only part of that—are ongoing, so you wouldn't expect us to be able to comment on the content of those.

Q85 **Mr French:** I accept that. Hopefully you will be able to remove one of my concerns, which is the potential impact of the ongoing legal case and the impact it may have on the good causes that benefit from the national lottery. Estimates from last year were that £750 million went to thousands of good causes and projects around the country. Is it right to be concerned that there could be an impact from these legal cases on the ability of the national lottery to continue giving?

***Sarah Healey:*** *indicated assent.* We totally share your concern, obviously. The four lottery distribution bodies are all arm's length bodies of DCMS, so we care enormously about their income and about what they have available to spend on the very important things that they fund. From our perspective, the lifting of the stay of is a positive step in terms of funding for good causes, because it signals the potential for Allwyn to be able to take over the licence on the timetable we had previously set out, with the attendant benefits to good causes. Is there anything I have missed there?

***Ruth Hannant:*** I was just going to add that, in fact, the judge stressed in the judgment today the fact that the public interest in ensuring the continuity of funding for good causes was a very strong factor in the decision. Our focus and the Gambling Commission's focus throughout has been to ensure that there is continuity between the third and the fourth licence and that we can move as quickly as possible to the implementation of the fourth licence. It has lots of benefits for good causes, including a change to the way that benefits for good causes are calculated—indeed, responding to one of the recommendations of this Committee. Under the fourth licence, good causes will get not only an annual payment, but a proportion of the overall surplus generated. That is a really important step, and one we were keen to see introduced as soon as possible.

Q86 **Sir Geoffrey Clifton-Brown:** Given the potentially dire circumstances if there was a hiatus in the operation of the lottery and the effect on the good causes, whatever the court judgment—I understand you cannot possibly get that in today—will the Government be learning lessons from that judgment, in two particular areas? First, how do you write a contract so that the existing holder is required to hand over all the data in a timely manner and there is not a break in the future? Secondly—I do not know whether this would be possible legally—how could they be prevented from making a legal challenge in the event that the re-tender, for whatever time you set, did not go to them but to another party?

***Sarah Healey:*** The licence is obviously held by the Gambling Commission. I am happy to pass on your first point to them. On the second point, I have no idea whether that is legally possible. I sort of doubt it.

Q87 **Sir Geoffrey Clifton-Brown:** What I am really asking is whether the Government will learn all the lessons that need to be learned from this.

***Sarah Healey:*** Always.

**Sir Geoffrey Clifton-Brown:** Always—good. I am delighted to hear that. I am not sure that this Committee would entirely agree with that.

**Chair:** If only!

Q88 **Peter Grant:** Without speculating on the final outcome, as well as the potential impact of a disruption to the operation of the lottery, if any legal costs are to be borne by either your Department or the arm's length bodies, would that have a knock-on impact for the funding available to good causes, or would they be recovered from some other funding scheme?

***Sarah Healey:*** We could not really determine that at this stage, because we do not know how the case will progress.

Q89 **Peter Grant:** Given what you are saying, are the legal costs now just being carried and, if they are not reimbursed, might that affect the ability of the funding bodies to fund good causes?

***Sarah Healey:*** I am not sure, actually.

***Ruth Hannant:*** A number of sources are available for funding. Depending on the outcome, we would have to look at those. One such source of funding, with the Treasury's agreement, is to draw it from the national lottery distribution fund. One of the things about the national lottery distribution fund is that it covers both the Gambling Commission's costs of running the lottery and the operator's costs, so there is an element of that already. As Sarah said, however, depending on the outcome and what the costs are, we would have to explore that with the Treasury and the Gambling Commission at that point.

Q90 **Peter Grant:** Thank you. With your permission, Chair, may I correct an omission I made at the start of the meeting, when I asked a question about Newsquest? I should have mentioned that the shining star in Newsquest's stable is of course its *Enterprise Times*, which I know that everyone reads avidly. Its practice, as is the case with a number of local papers, is to give local representatives a column every so often. It means that I have an occasional guest column in one of the Newsquest publications—

**Chair:** Unremunerated, though?

**Peter Grant:** Unremunerated, but I declare it on the basis that it is better to declare than not to declare.

**Chair:** In which case, to be thorough, I am about to start a guest column with Archant's rather magnificent *Hackney Gazette*, which I commend highly to the Department as a fantastic local newspaper. I am also doing it for free.

***Susannah Storey:*** Chair, do you mind if I square the circle on Mr Grant's initial comment, because I now have the information? We are going to publish the representations that have been received, with commercially sensitive information redacted.

Q91 **Chair:** Fantastic. The more out there in the open the better, from our point of view.

I have one other little matter. Mr Norris, when you were talking about the BDUK contracts being let, I think it was implicit that you are definitely going to meet your August target, but will you just be explicit that they will be let by August?

***Paul Norris:*** Yes, they are on track currently for August.

**Chair:** You are absolutely confident—I mean, you sounded confident—

***Sarah Healey:*** They are on track—

***Paul Norris:*** They are on track. We are here in June. It is obviously a commercial process, but there are no surprises currently.

**Chair:** So something could come at you from left field, but at the moment it looks like it is motoring on. That is helpful to know. I have to say, your own information is helpful on this—the graphs that show roll-out and so on. Some of those will increase of course. I think it was the north-east and south-west that will come up in number, looking at your 30 May update. That should then increase the growth in those areas significantly.

**Sir Geoffrey Clifton-Brown:** A contract is not a contract until it is signed.

**Chair:** Sir Geoffrey is a cynic—we all are a little on this Committee. We wish the programme well, however, because we all have an interest. Our constituents, especially those in the hardest to reach areas, really need this gigabit broadband. It is a bold ambition, which we are keen to see succeed, but we will keep watching it and keep challenging, along with our sister Committee, the DCMS Committee.

I thank you for your time. We will have a discussion, but I suspect that we will end up writing a letter to you, Ms Healey, rather than a full report, as it is just a further update, although important. As ever, the transcript will be published on the website uncorrected in the next couple of days. Thank you for your time.