House of Commons

Public Accounts Committee

Oral evidence: Improving Broadband, HC 688

Monday 9 November 2020

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Members present: Meg Hillier (Chair); Gareth Bacon; Olivia Blake; Sir Geoffrey Clifton-Brown; Barry Gardiner; Mr Richard Holden; James Wild.

Gareth Davies, Comptroller and Auditor General, NAO, Louise Bladen, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1-159

Witnesses

I: Sarah Healey, Accounting Officer, Department for Digital, Culture, Media and Sport, Susannah Storey, Director General, DCMS, and Raj Kalia, Chief Executive Officer, Building Digital UK, DCMS.

Report by the Comptroller and Auditor General

Improving broadband (HC863)

Examination of witnesses

Witnesses: Sarah Healey, Susannah Storey and Raj Kalia.

Chair: Welcome to the Public Accounts Committee on Monday 9 November 2020. We are here today to look at an issue that the Committee has looked at over the last decade—that of fast and reliable broadband, which we need so badly in this country and the importance of which the covid-19 pandemic has further underlined.

Today, we have officials from the Department for Digital, Culture, Media and Sport to talk to us about the ambitious target of introducing the new superfast broadband by 2025 to all areas of the country, including hard-to-reach areas. The Government are finalising plans for their £5 billion future programme, so they have not even let the contracts yet, and there is a lot of work to do and little time to meet this ambitious deadline, so we will challenge officials about how realistic this target is.

I welcome our witnesses. We have Sarah Healey, who is the permanent secretary at the Department for Digital, Culture, Media and Sport—welcome to you. We also have Susannah Storey, the director general at the Department for digital, and Raj Kalia, chief executive of Building Digital UK, or BDUK as it is often known, who is also at the Department for Digital, Culture, Media and Sport. A very warm welcome to all of you.

Before we hit the main session, though, Mr James Wild and Mr Richard Holden have some questions about the progress on gambling since our last hearing on that issue. Over to you, Mr Wild.

Q1   **James Wild:** Thank you, Chair. Ms Healey, you will recall from our last session and our report that there is a lot of interest from the Committee and across Parliament in this issue. Are you able to give us an update on the timeframe for when the review of the legislation will be announced?

Sarah Healey: Of course. Could I just briefly say that it is the Department for Digital, Culture, Media and Sport, which in the context of today's session is obviously quite important—

Chair: Forgive me—old habits die hard.

Sarah Healey: No worries. I am not able to give you a firm timeline on that today, I am afraid, Mr Wild. We will obviously seek to publish that as soon as possible. You will obviously understand that the Department has been extremely busy in recent months dealing with the consequences of covid, but we are nevertheless aware that there is significant interest in making progress on that issue as quickly as possible, and Ministers remain keen to do so.

Q2   **James Wild:** If you had to put a bet on it, could we expect to see it before Christmas?

Sarah Healey: I would expect to see it in the relatively near future, but not imminently.

James Wild: Okay—I don't know what that means.

Chair: That is a good civil service response there, Ms Healey. Are you going to try again, Mr Wild?

James Wild: No, I don't think so.

Chair: You know when you're beaten.

Sarah Healey: My predecessor used to say, "In the next period of time," but I think that's even less clear.

Chair: Ms Healey, you are auditioning for the next generation of "Yes, Minister", clearly. Well, I'll try Mr Richard Holden to see if he can get anything more. Mr Holden.

Q3   **Mr Holden:** Thank you, Chair. Ms Healey, given that there has already been a review into, or rather a call for evidence on, under-18s and gambling, I wonder whether there is any likelihood of movement on that before the broader review is launched.

Sarah Healey: Obviously, it is a matter for Ministers to decide whether they want to make that policy change or not; it is not really an issue for me to comment on.

Q4   **Mr Holden:** Have you heard of, or is there any indication that there might be, any movement on any of the under-18 gambling issues before from within the Department? Have you made any preparations for that at all?

Sarah Healey: I am really sorry, but that is a policy change decision for Ministers that they haven't taken or announced as yet.

Chair: Okay. Well, good try. We go back to Mr James Wild on the issue of the Football League.

Q5   **James Wild:** Again, this is to Ms Healey. Can you update us on the Department's discussions with the Premier League to get them to increase their derisory offer to support clubs in the Championship and in Leagues One and Two?

Sarah Healey: Discussions with the Premier League, and indeed on support for sport more generally, are ongoing. We are very much aware of the urgency to get this agreed as quickly as possible and officials are working very hard on it.

Q6   **James Wild:** I declare an interest as a season ticket holder at Norwich City. They announced last week that they have lost £12 million due to covid and these restrictions. I think they would like to hear a bit more urgency and a little bit more direction from the Government to get the

Premier League, who laid out £1 billion on transfer fees over the summer, to step up and support the football pyramid. What is the Department doing? What is the timeframe for this?

Sarah Healey: Ministers have been completely clear about their commitment to support sport and their desire to see the Premier League make those contributions. My officials are working extremely hard on the whole of that support package, so you can expect to see progress on it soon.

Q7   **Chair:** Thank you, as far as that goes. Before we move into the main session, I want to ask about your Department's spend and use of consultants during covid-19. Can you give us a ballpark figure for what you have spent on consultancy work and what that has been spent on since the pandemic?

Sarah Healey: You mean specifically consultancy work to support our work on covid-19?

Chair: Absolutely, yes.

Sarah Healey: I cannot give you a figure right now. I am very happy to write and give you one to follow up. To my knowledge, we have used consultants specifically in two ways: first, to support my arts team and the Arts Council on, first, developing the financial business case and information needed for the arts support package. Secondly, we are using some consultancy support to do the same job on sport.

Q8   **Chair:** Are those consultants who are on a framework contract with you? How have you procured them?

Sarah Healey: We procure on a framework, yes.

Q9   **Chair:** They are organisations that are known to you and have gone through at least some sort of process to be on that framework contract?

Sarah Healey: Yes.

Q10   **Chair:** There is no one outside the framework contract who you brought into your Department?

Sarah Healey: Not that I am aware of. Considering that we brought them in very quickly, I think we could have done that only on the framework, because obviously, the need for those pieces of work was quite intense.

Q11   **Chair:** Have you publicised the detailed work that they are doing? Have you put that up on the website? Forgive me; I did not check before the meeting.

Sarah Healey: I am very happy to confirm that to you after the sitting.

Chair: We look forward to getting letters from you on those points. As you know, we published our report on gambling a little while ago. We are very keen to hear as quickly as we can about any of the proposed changes, so we would appreciate it if your Department proactively wrote to us about that when decisions are being made.

Mr Richard Holden has one last question, then we will move into the main session.

Q12   **Mr Holden:** This is a bit of a north-east question. Are you aware of any ongoing bids for Newcastle United? Is the Department doing anything to support any of the bidders in the process, if there are any ongoing?

Sarah Healey: I am not aware of that, and I am not aware that we are doing any work to support them.

Q13   **Chair:** Thank you for taking those questions. We will now move on to the knotty issue of how we improve broadband in this country. I have to say it is interesting to note, Ms Healey, that despite the huge challenge of a lot more people working from home, the system managed to cope and did not even reach the normal 9 o'clock peak during the normal working day. Was that a surprise to you in the Department?

Sarah Healey: It was not so much a surprise, to be honest, as we were obviously pleased. Between probably the middle of March and the middle of April, the Minister for Digital Infrastructure had quite intensive engagement with the telecoms companies in order to monitor the impact of extra usage on the service that was delivered, so we took an immediate and active interest in how well that was going. We are obviously pleased that there was very little impact of the extra usage during the day, and the service held up.

Susannah Storey: As Sarah says, obviously, in the beginning, like everybody, we were not quite sure what the impact would be of the really significant numbers—not just people working from home, but schools operating remotely. We were genuinely pleased that it was not more significant. Actually, the impact was perhaps less than we saw from extreme weather at the beginning of last year. The other thing that we did was to very quickly define telecoms within the category of key workers, which we heard from industry made a material difference, so that their workers could be out and about helping right through the crisis. We are very grateful to them for that.

Chair: Thank you, and I think we also pass on our gratitude to everybody who worked to keep the country going in those early days and the first lockdown. I will now ask Olivia Blake MP to come in.

Q14   **Olivia Blake:** My first question is for Ms Sarah Healey. Why are 1.6 million premises still without superfast broadband?

Sarah Healey: As you will know, there has been £1.9 billion spent on superfast broadband. Commercial coverage has delivered 96.5% coverage, which is the latest figure from thinkbroadband. That was delivered by a combination of commercial roll-out and our own programme, which the £1.9 billion formed part of. That has delivered 5.1 million extra premises having access to superfast broadband, which is obviously a significant increase over the levels that were there before. That was done was via local authorities. They identified premises that they could use the funding to deliver to. It was not enough funding to reach

100%, which is why some premises remain without access to broadband, either because they were not economic for commercial operators to roll out to, or commercial operators chose not to do so, or were not covered by that superfast investment.

Q15   **Olivia Blake:** Do you feel that the programme subsidised properties that could have been served by commercial providers?

Sarah Healey: We actually did a very thorough job of analysing whether or not areas being covered were ones that would be funded by commercial roll-out, so all our funding was fixed on areas that were not at the time planned to be covered by commercial roll-out. Where it has turned out that in fact they were commercially viable and therefore they might have been able to be covered by that, they are subject to a process of clawback where funding is returned to the Department or to local authorities to account for the fact that profits have been made that were not expected at the time when the money was invested.

Q16   **Olivia Blake:** What level is the clawback at?

Sarah Healey: We anticipate getting £900 million of clawback. Not all of that has come in it yet, because a lot of it is in profits that have been forecast, but have not actually yet been made by BT or other suppliers, but, over time, we anticipate getting £900 million back. That is a combination of two kinds of clawback: implementation clawback, which is where roll-out of broadband ended up costing less than expected, and primarily take-up clawback, where more people used the service and therefore it was more professionally viable than initially anticipated when the roll-out was planned.

Q17   **Olivia Blake:** Do you think that the programme could have been better targeted? What lessons have you learnt about the targeting?

Sarah Healey: It is certainly the case that the data that we had on coverage was not absolutely perfect at the time when the roll-out was planned, which was a joint job undertaken between local authorities and BDUK. However, it was always inevitably the case that some premises were going to be left without coverage because the funding was not enough to deliver full 100% superfast coverage. As it turned out, because of the clawback mechanism, we have been able to exceed the initial target, which was 95% coverage by the end of 2017, so we are continuing that programme in order to reach more premises, and in fact the funding has gone further than we expected.

Q18   **Olivia Blake:** Over a third of local authorities have less than 95% coverage. Given everything you have said, why?

Sarah Healey: Different local authorities will have different geographies and therefore different costs. Obviously, delivering superfast broadband in some areas is more or less expensive than it is in other areas. Also, some local authorities will have decided to reach more remote areas first and not areas that were cheaper to provide superfast broadband to.

Q19   **Olivia Blake:** What has the Department been doing to address this?

Sarah Healey: We have, as I said earlier, done a range of things. First, we have continued the superfast programme beyond the 95% target, so beyond the point at which it achieved its objectives. Then there are a range of other things we have done to make commercial roll-out more likely by introducing competition into the market—for instance, all the changes introduced in the future telecoms infrastructure review, which enabled wholesale access to a range of providers. A number of other programmes have enhanced the availability of gigabit broadband, including the local full-fibre networks and rural gigabit connectivity programme, plus the gigabit voucher scheme, all of which are available for different areas that are not currently covered in order to enhance their coverage in the future.

Q20   **Olivia Blake:** How are you now working with local authorities to improve coverage, and what lessons have you learnt?

Sarah Healey: We work very, very actively with local authorities to assess barriers to increasing coverage and to use expertise that BDUK has gained in working with a wide range of local authorities in order to help them confront issues that exist in all sorts of local areas: issues to do with access to land and to do with planning of broadband coverage. As we move into thinking about the gigabit programme, we are obviously also keen to use as much knowledge as we have gained about how to put the data together to identify areas that are not going to be covered and ensure that our analysis of where that gap lies, between the commercial roll-out and the non-commercial roll-out, is as good as possible.

Q21   **Olivia Blake:** I think we will cover that later. My next question is to Ms Susannah Storey. We have discussed the overview impact of covid-19, but I want to ask how, during the pandemic, poor coverage has affected those specific homes and businesses that are not served by superfast broadband.

Susannah Storey: As we said, the covid crisis, which has obviously been so complicated to navigate right across the country, has actually, in terms of broadband provision, despite the significant increase in usage, not significantly changed download speeds. In a sense, it has focused everybody's minds, I think, on digital infrastructure. I'm sure we will come on to this, but right across the Department, as well as in our partnerships with other bits of the Whitehall system and, as Sarah was saying, with local authorities and, of course, with the providers, we are incredibly focused on driving forward our various programmes. But in terms of covid per se, our principal focus has been on enabling the workers from telecoms companies to get out and about and do their work, and in practice it has not had a material impact on the roll-out of our various programmes.

Q22   **Olivia Blake:** You mentioned weather having more of an effect. Have you learned any lessons from the pandemic specifically, or the weather incidents that you have mentioned, and altered any of the Department's roll-out plans? You have said they are unaffected, but have you had to change the plans in any way?

Susannah Storey: In terms of future roll-out, obviously there are still various superfast contracts, as Sarah was saying, using the clawback money. In terms of the future gigabit programme, absolutely—what we are thinking through at the moment is the different ways in which that will be procured, to really try to make sure we can maximise the potential of the commercial market build, which has been galvanised probably to a greater extent than we expected even in 2018, when we published "Future Telecoms Infrastructure Review". Also, of course, there are a lot of different variables that we need to make sure we address. We want to try to maximise commercial capability, reduce barriers—that is a range of things, some of which we are legislating and regulating for—and increase demand. In a sense, as we are looking at the future programmes, we are trying to draw all those things together. Of course, covid is a factor for everybody in their planning at the moment.

Actually, early in the crisis, one of the problems that telecoms providers had was access to things like ladders and aggregates, so sometimes it is not the very technical programme things that might be problematic; it's the very, very important parts of the practical delivery. We have been working very closely with other Departments to make sure we are aware of those things and, where possible, we can address them.

Q23 **Barry Gardiner:** Perm sec, tell me: what is the priority for you and the Department? Is it the 2025 gigabit target, or is it superfast?

Sarah Healey: We have, as I am sure you know, an ongoing programme on superfast, much of which is now being delivered actually using gigabit-capable technology. We made a deliberate decision, in the ongoing roll-out of the superfast programme, to ensure that, wherever possible, we were delivering gigabit, so that the two were actually fully aligned with one another.

Q24 **Barry Gardiner:** And your priority is?

Sarah Healey: Our priority is to move on gigabit-capable broadband as fast as possible, but using a range of programmes, including our superfast programme, which is now being delivered primarily with gigabit-capable technology.

Q25 **Barry Gardiner:** So your priority is?

Sarah Healey: Our priority is to get gigabit-capable broadband to as many people as possible as quickly as possible, using a range of methods, including a compatible method, which is to use the superfast funding that we have available to get gigabit-capable broadband rolled out as quickly as possible.

Q26 **Barry Gardiner:** A hat-trick, very good. What will happen to those left behind by superfast? Will they lose out again, given that it would appear that gigabit roll-out is your priority?

Sarah Healey: As we stated in the "Future Telecoms Infrastructure Review", we were keen that any area that had not received access to superfast broadband in the past would receive access to gigabit-capable

broadband as quickly as possible, which is why we are using the superfast roll-out increasingly to deliver gigabit-capable and why we intend to take that outside-in approach as we roll out further on our gigabit as quickly as possible.

Q27 **Barry Gardiner:** I take it that is a guarantee that they will not lose out again.

Sarah Healey: Our aim is to focus on those areas that currently do not have access to superfast. Inevitably in local areas, there will always be specific decisions to be made about exactly how we manage the roll-out, so it may be that in reaching areas that are harder to reach, we will go past other areas first, but our intention is to focus on those areas that do not receive superfast at the moment, so that those areas do not remain left behind.

Q28 **Sir Geoffrey Clifton-Brown:** Two questions before we come back to where we were with Mr Gardiner. First, going back to what you said on clawback—the £900 million—how long will that take to be resolved, and how are you monitoring how that is spent?

Sarah Healey: It is spent, actually, because it is returned to local bodies, or returned to us, so in terms of monitoring how it is spent, that is part of overseeing superfast contracts in the ongoing roll-out. We expect it to take several years. I do not have a precise number in front of me, but I think up to seven or eight years, in order to see absolutely all of it returned. Raj, you might be able to answer better.

Raj Kalia: The superfast contracts obviously end in different periods, but once a superfast contract is delivered and in flight, we monitor that contract for a seven-year period, during which time we will evaluate the returns to local bodies, as was said, and to central Government through the take-up of that.

Q29 **Sir Geoffrey Clifton-Brown:** Another question that is really important to the new programme, Ms Healey, is on state aid. We understand that you submitted a non-paper in late 2019 to update the previous regime of 2016 to '20. What is the position at November this year, please? That could have a critical bearing on the new programme—the timetable of grant of state aid.

Susannah Storey: May I answer that question? You are absolutely right that state aid is critical to a programme that will have a large subsidy element but, as you know, we are in the process of the negotiations with the EU on the future arrangements. The current position is that we will have our own state aid regime after the end of the transition period. For that reason, we expect to deal with the aid issues in our own domestic regime.

Q30 **Sir Geoffrey Clifton-Brown:** You are saying that this issue should not affect the timetable for the roll-out of the new future programme.

Susannah Storey: Yes, that is right. Based on the timelines we are envisaging for new contracts, we think that we will have clarity on the

position of the EU arrangements—the FTA—and therefore we will be able to deal without a delay from that particular issue. We are obviously in regular dialogue with the commercial operators, to make sure that they understand the position, and when there is any update we talk to them directly about it, but we do not see it as something that will cause delay at present. Obviously, we will know more when we get to the end of the EU negotiations that are going on at the moment.

Q31 **Sir Geoffrey Clifton-Brown:** At the moment, you are anticipating that it will be an entirely UK regime. This will obviously depend on the negotiations, but at the moment your assumption is that it will be a UK regime that our Government will be able to determine.

Susannah Storey: Yes. In the past, we have obviously always had to apply to the EU, and we have a lot of experience with their regime. Going forward, we expect the arrangements to be different, and we are working closely with BEIS to make sure that we are across that position. As you say, there are domestic arrangements. It may be that, if they are not in place on 1 January, we could have a WTO-style regime. In a sense, we just work closely with the relevant Departments, and we do not expect it to delay the future programme on our current timetables.

Q32 **Sir Geoffrey Clifton-Brown:** That is very helpful indeed. If we had to go on to WTO rules, what is the worst case? With this series of questions, I am really getting at whether this whole issue could, in the worst case, end up delaying the whole future programme on which the Government have set so much store.

Susannah Storey: We do not expect that to be an issue that will cause a delay at this point.

Q33 **Sir Geoffrey Clifton-Brown:** Because if it had to happen under the current regime, the Report makes it quite clear that it takes 18 to 24 months to get permission from the EU—or has this non-paper already started the timetable in that event?

Susannah Storey: Dealing with state aid cases can take a long time under the EU regime, but issues that are regularly dealt with under that regime sometimes go quicker, so it is a bit difficult to generally say that it would be 18 to 24 months if we were in that scenario. As I say, our lead scenario is not one where we would have to apply to the EU to get approval for state aid in our own domestic market after we had ended the transition period.

Q34 **Sir Geoffrey Clifton-Brown:** But you do acknowledge that, if we had to go under the EU's rules, that is a definite risk?

Susannah Storey: There are so many variables that we are getting slightly into the realm of hypotheticals. However, I did note that the NAO wrote that timetable. If we were in that scenario, which we do not expect to be, we would obviously try to make sure that we accelerated through the process steps as fast as possible, and the teams have a lot of experience of that.

Q35 **Sir Geoffrey Clifton-Brown:** My constituents will have really pricked ears at these two very important questions that I am about to ask you, because I represent a very rural area. At the moment, are you still adopting the outside-in process? In other words, are you going to do the harder-to-reach rural premises first, or are you going to go for larger numbers and forget about some of these harder-to-reach premises?

Susannah Storey: I certainly do not think that we plan to forget about anybody. It has been our policy position since the future telecoms infrastructure review in 2018 to stimulate the market and the commercial side to go as far and as fast as it can. I think there has been reasonable success in that regard, and actually the commercial market will deliver to some rural premises.

However, the outside-in principle is absolutely still baked into our planning for the future programme. In a sense, we are trying to ensure that the commercial market goes as far as possible, and alongside that we can target our subsidised parts of the programme on the areas of greatest need. Of course, it is the case that, when you look at a cost curve for the most difficult premises, they are not all neatly grouped together.

To galvanise the market and maximise the commercial side, we want to try to be clear about where that build will happen, and where possible to build on the edges of that, but we also recognise that there will be some very rural premises that we will need to target the subsidy on. So yes, outside-in is still very much at the heart of our approach.

On the specifics of how we procure the different contracts, our Minister for Digital Infrastructure was clear at a recent Select Committee that this is still in the planning stage. We are pulling together all the learnings from the previous programmes and all the various factors, including where the commercial market is building, to make sure we design that procurement in the most sensible way to deliver the overall objectives.

Q36 **Sir Geoffrey Clifton-Brown:** It may be that your ambition to still reach those hardest-to-reach premises, but it seems as though the order in which you will reach them has changed. They were originally, as I understood it, to be taken first. Are you now saying that the order has changed—that they will be slotted in as and when the commercial reality allows?

Susannah Storey: No, I am not saying that. What I am saying is that 80% of this overall build will be done by the market, and they will naturally, all other things being equal, go after the commercial areas. The Government-subsidised programme will be focused on the outside-in, but what we want to try and do, as we get data from the operators about their build profile, is see where we can exploit synergies, because it is likely to be more efficient for them to build around the edges. But we won't always do it on that basis and that is why, as I say, the procurement details that we are working through—we are trying to get the right balance so that we can ensure those in greatest need are covered in this programme.

Q37 **Sir Geoffrey Clifton-Brown:** Can I just ask you about the universal

service obligation for those harder-to-reach premises? The regime that was in place was that if the cost could be provided commercially for under £3,400 then you would expect commercial providers to do it; they were allowed to aggregate numbers of houses to get below that threshold. If it was above that threshold the private individuals were allowed to pay the difference. Is that regime still in place?

Susannah Storey: Yes, it is. The universal service obligation came into effect in March this year, and that is, as you describe, the arrangement that is still in place. Our Ministers have been quite focused on some of the press and postbag they have had from various constituencies, and actually Ofcom has launched an investigation into some complaints about BT in October.

What they want to make sure is that the information that consumers are getting is as transparent as possible about the costs of provision—because, as you say, they can in effect get the service for free if it is under £3,400, which is the reasonable cost threshold, but if it is above that they have a choice about what to do. Obviously, if they are in an area where they might be able to aggregate with neighbours or a nearby community, that could make a material difference.

Sir Geoffrey Clifton-Brown: Thank you very much for your helpful answers.

Q38   **Gareth Bacon:** I think all my questions will be aimed at Ms Storey, I am afraid—who must be trying to get rehydrated while we keep asking her questions. I am interested in the level of granularity about how you are going to decide the prioritisation for the subsidised element of the future programme.

You said something very interesting earlier on, which I completely agree with: that some of the harder-to-reach areas will not necessarily be neatly grouped together. Of course they will not, because if they were they probably would have been reached already. So how are you going to be planning the areas that you are going to target for this? What is the prioritisation process?

Susannah Storey: It is genuinely one of those highly complex but highly important questions, because in any programme of this nature what is unusual about it is that we expect four fifths or 80% of it to be delivered by the market, and obviously the drivers of the market about where they want to build, the extent to which they will be prepared to overbuild—those are really matters for them, although we are ensuring that we can get clarity about their short-term priorities.

For us, what we need to do is make sure that we can maximise the use of public funds, maximise the speed, but not cannibalise the commercial roll-out. That is quite a complicated set of interfaces, and that is one of the reasons why we have been doing a lot, so far, to really try and drive down the barriers to delivery and make sure, through various pieces of legislation and regulation, that we can continue to do so.

The thing we are working through now—and as the Minister for Digital Infrastructure said, it is in progress, so I can't announce the specifics of where we are going to get to—is working through the detail of the procurement arrangements with the companies. It is exactly those issues that we are working through, and in fact it becomes a set of important choices so that on balance we can deliver our priorities. I am sure there will be further information that will come out in due course, but today I can't give you the specifics of exactly how those arrangements will come through.

Q39   **Gareth Bacon:** I do not want to be unkind about that answer, but it didn't really answer the question at all. I know why you can't answer the question—because, as you have just said, the details are not finalised yet, but if you could give a broad indication: for example, if I look at my own constituency, helpfully the National Audit Office Reports that we were provided with before this meeting gave a breakdown of all the Members' constituencies, and what coverage we have.

In my constituency of Orpington we have—it is very good on superfast— 96% coverage, but 1.5% is unable to receive even 10 megabits. That is very slow. Without looking at it, I can tell you where that would be. It would be in places such as the village of Downe, where Charles Darwin used to live. Even though it is in a London borough, it is countryside.

Places such as that are constantly overlooked, because it is not economic or commercial for a private provider to put links in there and it is exactly the kind of place that needs subsidized intervention from the Government and the future programme. You might not know that, because it is part of London, so you might think that London has great coverage and Orpington has 96% coverage, which is fine. But those are precisely the areas that will get left behind endlessly, unless we take a granular approach to this.

The Chair, in our meeting before this meeting, pointed out that in her own constituency, which I would not classify as countryside, there are notspots in Hackney near the Olympic Park.

Chair: Brownie points for Mr Bacon!

Gareth Bacon: I am just trying to curry favour with the Chair. You can find such places. I am trying to get from you some indication about how the Government will prioritise this. Do you consult with local people? Are you just looking at private providers to tell you where the notspots are? What is the level of granularity in your planning?

Sarah Healey: I'm sure Susannah might be able to expand on this because it is an incredibly important point, as might Raj, on the data we are collecting. To be clear, we have a well-established analysis of where the gap lies, i.e. where it would not be commercial for private providers to build, in order to establish the 20% in which we will intervene and subsidise with Government funding.

We will use that process in deciding where we spend the Government subsidy in the gigabit programme. We will also use all sorts of sources of

data, whether ordnance survey data, provider data about where their intended build is or what is available at the moment, and local authority data, plus pre-existing BDUK data, all brought together to determine the best possible plan for both where we will build and in what order.

Raj, do you want to expand on that? You have done a lot of the work on what data we will bring together to do that plan.

Raj Kalia: We have been working closely with suppliers, as you would expect, local authorities and Ofcom. Those are various sources of data. Supply data comes in the form of where they have built already and what their build plans are. Those build plans usually go to Ofcom. We will be working directly with suppliers to understand what those build plans look like.

You are quite right, Mr Bacon, that various parts of the country have connectivity shortfalls. Most of them are in rural area, but some may be urban notspots. We have a model that defines where those areas are. We define the final 20%. We have a model that looks at the final 20%. We share that model with all the operators—the main operators, I must say. We are working with them to agree what that data looks like, because the biggest part of this equation is trying to ensure that we have the right dataset, so that we go after the correct premises.

Once we have that dataset correct, we will factor that into our intervention programmes and decide exactly how we will deliver to wherever that happens to be. If it is in an urban area, it may well be an extension to an existing commercial roll-out. If it is in a rural area, it may be an extension to a commercial roll-out into the more rural areas, balanced with going to those more harder-to-reach areas as well.

Q40 **Gareth Bacon:** Can I press you on that slightly? One thing the NAO Report identified is that understanding of data and collation of data has been patchy to say the least. The target is 2025. In a few weeks' time, it will be 2021. The level of roll-out will have to be extraordinarily quick to hit that target. When do you anticipate having robust reliable data on which to make your planning assumptions?

Raj Kalia: The roll-out has already started. As Sarah and Susannah have both said, the superfast programme today delivers gigabit, so we are already eating into that target. We have delivered over 460,000 premises through the superfast programme that already have gigabit capable technology. Over and above the superfast programme, we have other interventions that are delivering gigabit-capable technology as well, such as the LFFN programme and the rural gigabit connectivity programme. The vouchers have provided 53,000 premises with gigabit-capable technology already. The programme is very much under way.

How will we deliver to the other areas? Well, we need to come with a sequence, as you quite rightly pointed out, and we need to agree that sequence with the market. We have been engaging with the market for over a year now on what the new programme looks like. Right now, we

cannot say exactly what the sequencing will be, because we need to get further planning and approval through the spending review, but I anticipate that we will shortly be able to talk to the market about our intent and where we would like to deliver to. We have already been talking to the market about where it wants to deliver. One is a function of the other: if we understand where the market wants to deliver, we can decide exactly what is left and how we will deliver to those areas.

In the next few weeks and months, we will come out and engage with the market much more formally, saying what the pipeline will look like. That really has to go through final approvals, definitely post-spending review.

Q41   **Gareth Bacon:** I do not want to sound cynical, but "in the next few weeks and months" sounds very "Yes Minister"—it is very, "In the fullness of time, at the appropriate juncture, when the moment is right." How many weeks and months? When can we expect to see that?

Raj Kalia: As I said, we are working through the final approval, so once we have gone through the approvals, we will be able to—

Q42   **Gareth Bacon:** Do you have a broad timeline? I understand that there is a process and that you are going through it at the moment, but please nail a date to the wall. Three months? By the end of March?

Raj Kalia: We have a plan, which has to go through the various approvals and then to Ministers. Once Ministers have approved the plan, I am sure that the perm sec will be very keen to—

Q43   **Gareth Bacon:** There is presumably a timeline attached to that plan—it is not open ended—so as part of your planning, you will have a timetable. What is the timetable for approval by Ministers?

Raj Kalia: We are talking to Ministers today about some options. Post-spending review, we will look to solidify what those options are and then agree with Ministers exactly how we communicate that.

Q44   **Gareth Bacon:** So no date is pencilled-in at the moment?

Raj Kalia: Time is of the essence, as you said, Mr Bacon. We are not going backwards here; we really do want to do this as quickly as possible, but we need to secure the right approvals. As soon as we have done so, we will deliver this as soon as we possibly can.

Q45   **Gareth Bacon:** The answer, really, is that you are not going to tell me.

Raj Kalia: We have to wait for the approvals and then we can decide exactly how quickly we can do this.

Q46   **Gareth Bacon:** Okay. I am pushing this, but I do not think it is really going anywhere. Another issue, which I will quote directly from the NAO Report, is that, "Looking forward, smaller infrastructure suppliers may gain dominant positions locally in markets which cannot attract competition. Without support to encourage service providers onto these networks, consumers may have very limited choice and find it difficult, or even impossible, to switch providers." A subset of that is that they could

end up paying a lot more money without proper competition or get worse supply.

What will the approach be to counteract that or to prevent it from happening? I am not sure that you would be due to answer that, Mr Kalia. Might it be more appropriate for Ms Storey or Ms Healey to answer?

Raj Kalia: I am happy to answer that. You will be aware that mostly Openreach provided services to the superfast programme originally. Since then, we have widened the pool of suppliers, so we now have about seven suppliers in the superfast programme. Actually, beyond the superfast programme, as I said, the vouchers programme has over 700 suppliers, with 300 are actively delivering—*[Inaudible.]* We have multiple routes to deliver gigabit connectivity. I think your question was specifically about monopolies in—

Gareth Bacon: The harder-to-reach areas.

Raj Kalia: Sure. In those areas, the equation looks a bit like this: you could have a vertically integrated, smaller operator that wants to deliver a service in an area, and they would feel that for their purposes, they need to get a return on their investment and so they want to deliver not just the infrastructure, but the services on top of that—the ISP service, if you like. If that then ties a consumer or a business to that service, that could potentially become an issue—I think that is what you are stating.

We plan to do a number of things. In the superfast contracts, we already have provisions for wholesale access, so that the likes of TalkTalk and Sky, which may well be the providers consumers actually want to connect to, are accessible through those smaller operators. We have provisions in the contract to ensure that prices are fair—price control provisions—so they cannot price beyond what is reasonably comparable in that area. And—

Q47 **Gareth Bacon:** I do not mean to interrupt you, but you said they cannot price beyond what is reasonably comparable in that area. If there is only one provider, there is no comparison, is there?

Raj Kalia: It depends on the definition of area. One provider could be delivering to 1,000 premises, but in a region, there could be in the region of—in your area, when you get to the district level, we would look at it at that level at least.

Q48 **Gareth Bacon:** You have opened up another line of questioning there, which is how you are defining area, because it could be a small village, a handful of houses, a ward or a borough. So how are you defining area?

Raj Kalia: In the superfast programme, we have worked with local authorities, which have defined exactly what the area is. In the future programme, we will look to build on that and define areas that are appropriate for the intervention type.

Q49 **Gareth Bacon:** That takes me back to my original question, which was about the level of granularity and who gets to determine that, whether it

is the Department or the Department working with providers or with local authorities or with local people or with villages or however you break that down. How specific is it?

Raj Kalia: When we decide how we are going to break down an intervention area, it is a combination of the Department—definitely—suppliers in that area, and local authorities. Local authorities have a central role in all this, so that triumvirate will decide exactly how we deliver in any particular geography.

Q50   **Gareth Bacon:** So local authorities, providers and the Department is the triumvirate that we are talking about.

Raj Kalia: Yes.

Gareth Bacon: I shall stop there, because I believe I have lined up questioning for the next Member.

Sarah Healey: I just wanted to mention that we are also very conscious of the risk of having single suppliers. We have an incredibly competitive retail broadband market in the UK, and we want to sustain that over time while, at the same time, encouraging investment in the overall network. There is work under way, outside of Government, to ensure that there is a platform that enables other ISPs to access the infrastructure that is created by smaller suppliers, which is an issue at the moment that we are aware of and that we want to address.

Q51   **Gareth Bacon:** So it is on your radar that locally, no matter how small, local monopolies are not a good thing and potentially some kind of Government intervention to stimulate more competition is not ruled out.

Sarah Healey: At the moment, that intervention of allowing that platform is actually being led by INCA, which is an industry body, but we have it very much on our radar that monopolies for local areas are not a good thing. We have managed to create an incredibly competitive retail broadband market in the UK and that is obviously something that, as I say, we want to sustain while at the same time encouraging investment in infrastructure.

Gareth Bacon: Thank you.

Q52   **Sir Geoffrey Clifton-Brown:** Ms Healey, a really fundamental point is that the future programme was a manifesto commitment. I understand that you submitted a financial bid to the Treasury in July. Has that bid been confirmed yet by the Treasury, or is it dependent on the expenditure review?

Sarah Healey: As you know, the spending review is due to take place in the next few weeks. We expect all that funding to be confirmed at that point.

Q53   **Sir Geoffrey Clifton-Brown:** At the moment, you are continuing as if the programme is going to be approved.

Sarah Healey: Oh yes. Well, I mean the money has been overall allocated to the programme. We are obviously in discussion with the Treasury about the finer details of that within the spending review.

Chair: I have to say that not many permanent secretaries are quite so confident about the line of their spending. I will pass over to Mr Wild to probe that.

James Wild: In some areas of North West Norfolk, such as Grimston and Gayton, 20% of the lines get below 10 megabits per second, so fixing that would be good. Obviously, we are excited about the gigabit target. As one of the hardest-to-reach areas, I assume that North West Norfolk will feature in the early part of the roll-out.

Chair: There's a good bid from Mr Wild.

Q54 **James Wild:** Ms Healey, how confident are you that the 2025 timeline for nationwide roll-out will be achieved?

Sarah Healey: As our Ministers have said, this is a very challenging target to meet. It requires us, as I think one of my Ministers said, to strain every sinew to make that happen. We continue to do so. I think you have had a sense today of how much work has been going on over the course of the last year or so in order to work up this programme and to make sure that the commercial roll-out, which will deliver the majority of it, as Susannah said earlier, happens as quickly as possible. At present, the programme is still in development.

Q55 **James Wild:** Yes. How confident are you? That was the question.

Sarah Healey: It is a really challenging target. Obviously, we want to see it work as quickly as possible. I am not yet in a position to give you a precise answer on confidence because the programme is still in development.

Q56 **James Wild:** But as the clock ticks closer to 2025, does your confidence increase or decline?

Sarah Healey: I have a huge amount of confidence in my team who are working on this, and I have a lot of confidence that the commercial market has really stepped up on gigabit over the last couple of years. We have seen a real step change in the amount of gigabit roll-out that they have proceeded with. At the time of the future telecoms infrastructure review, gigabit capable was at 4%. We think it is going to go well over 25% when the next figures are released, and we anticipate it going up further. I think that the Government intervention has a huge impact on the speed of commercial roll-out.

At the moment, the trajectory of commercial roll-out is where we would want it to be in order to meet that target, but we are not yet in a position in the development of the programme to be able to say more. We recognise that it is a very challenging target, but it is one that, as people on your Committee have pointed out this afternoon and previously, and as the NAO Report pointed out, the experience of the last seven months and

indeed the experience of rural areas that do not have access to this kind of quality of broadband have shown is incredibly important.

Q57 **James Wild:** I think we all agree on that. The Report brings out the huge scale of this project, increasing the build-out from 1.5 million premises per year at the moment to 6 million a year, and laying 500,000 kilometres of cable. That is a huge effort, which is why we are keen to see progress on bringing this forward. What analysis did you and the Department undertake to accelerate the timeframe by eight years and to assess the cost and value-for-money implications of doing so?

Sarah Healey: Clearly, the 2025 target was a manifesto commitment and, indeed, a commitment that the Prime Minister made in his campaign for the leadership. No programme of this kind goes ahead without very serious value-for-money analysis and several business case stages that need to pass through the Treasury. We would not proceed with a project if we could not demonstrate the value for money of it, and nor would the Treasury enable us to do so.

Q58 **James Wild:** So you are confident that there is no question about value for money. You will not be seeking any ministerial direction to hit the 2025 target.

Sarah Healey: As Raj set out, we are currently going through all the relevant internal approvals. As our previous investment in superfast showed quite significant benefits of this kind of investment in infrastructure, we see no reason at this stage to expect anything else to be the case on gigabit, but obviously we have not been completely through that process yet so unfortunately I am unable to elaborate on it in detail. I am happy to do so when we have published things.

Q59 **James Wild:** What lessons have you learned from previous projects—Ms Storey might have some thoughts on this—such as the smart meter roll-out, where a date was set that was widely considered by industry and others to be undeliverable and was subsequently pushed back? What lessons have you learned from that, and from Crossrail and other projects?

Sarah Healey: We have seen an extraordinary galvanisation of the commercial market through the ambition that we have had on gigabit. I think that that has had real benefit in seeing an acceleration in the delivery of gigabit.

Susannah Storey: Obviously, when you are designing a programme of this scale and significance you look at all the different aspects of it. As I have said, the foundations that we have been laying over the last two years seek to do exactly that. The future telecoms infrastructure review was very clear that, in order to get a commercial and competitive market delivery, you need to have a strong investment backdrop. In a sense, the Government's ambition is helpful in that regard, and we have actually seen a lot of increased appetite to build and the market actually building. So, as Sarah was saying, from 4% full fibre in 2018, we are now at around 18%.

We also consider other markets, such as energy and transport, but they are not perfect analogies for us. In telecoms infrastructure projects, we are particularly focused on removing the barriers to deliver, which will assist both the commercial and the uncommercial parts of the market. So, we are obviously working very closely with the Department for Transport on the highways and streetworks aspects, because one of the most significant costs of full-fibre build is streetworks; it can be up to 70% of the build, because you have to dig the roads and lay the fibre. In addition, we are working very closely with MHCLG on planning, to try to ensure that the telecoms operators can get the access to properties that they need.

So, we have sought to look across the piece, to make sure that the foundations that we are laying are strong. In addition, as I think the NAO Report makes clear, we have obviously looked at superfast to try to ensure that we can take the lessons from that. For example, in the case of the future programme, BDUK will be the contracting authority, so it will contract directly with the operators for the build, but working in partnership with local authorities.

So, there are a lot of different aspects to this and we feel that going through all the various approvals that we are going through at the moment around the financial case has really kicked the tyres of that. And as Sarah and Raj have said, we want to make sure that by the time that we have published in the coming period of time, there will be a very robust partnership approach across the commercial and uncommercial parts of this programme.

Q60 **James Wild:** Okay. You have mentioned the contracting process. In an outside-in market engagement event, the slides that I have got from 23 June set out a procurement timeline whereby it was 10 months from launching the procurement to signing contracts. Is that still the planning assumption, Mr Kalia?

Raj Kalia: As I said previously, we are already delivering gigabit connections today through the superfast programme. So, we are planning to—

Q61 **James Wild:** Yes, but we are talking about the Future 20 programme; that is what we are interested in today.

Raj Kalia: Sure—absolutely. I mean, both are delivering gigabit-capable connections.

Q62 **James Wild:** You made that point before. So, is that still the planning assumption—10 months from launching the procurement for this programme to signing contracts?

Raj Kalia: The slides you would have seen came prior to our market engagement. We subsequently engaged with the market—so, with Openreach, CityFibre and a whole host of smaller providers. Post that market engagement, we have listened to what they have said and subsequently that has helped inform our advice. That advice and those options have gone to Ministers, and once Ministers have approved what

the process should be, we will be able to confirm exactly what the timeline is.

Q63 **James Wild:** So, is it reasonable to assume that it will be shorter than 10 months, 10 months, or longer than 10 months? We do not seem to be getting any clarity here. You keep referring to future announcements, but I don't think it is unreasonable for the Committee—for the taxpayer—to know how long you think a contracting procurement process will need to run.

Raj Kalia: As I said, I think that what the taxpayer should be very aware of—obviously—is how we are delivering gigabit-capable connections, which we are today. So, we are not waiting for the future programme, as you call it, to start delivering; we are delivering today. And with the future programme, we are figuring out how we can deliver that as quickly as possible. Procurement timelines will be as short as possible, depending on what the market can sustain. We have spoken to the market about how we can we make a procurement timeline work as quickly as possible—

Q64 **James Wild:** How many of the 6 million premises that are going to be part of this programme will get gigabit-capable broadband under the superfast programme, which you keep referring to?

Raj Kalia: The superfast programme will add 145,000 premises through R-100—Reaching 100, which is the procurement in Scotland. It will add another 175,000 premises in Northern Ireland through Project Stratum. There are other procurements in flight, as well. Five procurements are due to complete before December this year. When we add all those up, the superfast programme should add, broadly, another 1.5%. We have line of sight to 98% coverage with the superfast programme, and we are currently at 96.5%.

Q65 **James Wild:** So the overwhelming bulk will come from the future programme that we are focusing on today. I am trying to get some clarity. Again, you haven't answered anything on the timeframe from launching the procurement to signing the contract. Obviously, there will be a gap from signing the contract to roads being dug up. How long do you expect that period to be?

Raj Kalia: We have worked on a programme that will ensure that we deliver as soon as possible.

James Wild: You keep saying that.

Raj Kalia: Well, I was about to say that providers are very aware of the programme that we are delivering, and we are talking to them about how they mobilise today, and how they can be ready for when the procurements start. There are two sides to this. One side is bidding through a particular procurement process; then, once you have selected somebody, that bidder has to be able to deliver the services that they bid for. It will very much depend on how large the procurement is and how quickly they can mobilise, but they are all gearing up today to mobilise and deliver for this programme.

Q66   **James Wild:** I don't doubt that. "As soon as possible" would be launching the procurement tomorrow, and you are not doing that, so saying "as soon as possible" is not really very helpful to the Committee. Ms Healey, is this programme part of Project Speed in Government?

Sarah Healey: Going back to what you said to Raj, just to be clear, when the NAO undertook this investigation, it was clearly based on the idea of it focusing on lessons from superfast. We were clear with the NAO that the gigabit-capable programme was still in development, so there is only so much we can absolutely confirm about the way that the roll-out will happen. We are really happy to co-operate with the NAO, and indeed to come back to the Committee to talk about the details of the programme as it is unveiled, but there is only so far we can go today in advance of ministerial decisions and internal reports. We are not trying to be unhelpful. There is just only so much that we can currently cover.

The principles of how to get infrastructure delivered as quickly as possible, which is what I understand Project Speed is focused on, are absolutely the kinds of things that we will want to look at as we focus on this project, because it is such a challenging thing to deliver.

Q67   **James Wild:** My question was: is it formally part of the Project Speed processes across Government? Yes or no?

Sarah Healey: Yes, and Susannah can elaborate further on that.

Susannah Storey: Yes, it is. Project Speed, as I am sure you know, is trying to look across infrastructure projects to see where there are common themes, particularly if there are issues that can be addressed, and to try to make sure that we can get infrastructure build as fast as possible.

Some of the conversations we have had in Project Speed around telecoms have been on the labour supply. Will there be sufficient labour to deliver this programme in this timeframe? Also, we have been talking to DWP and others about whether there could be specific programmes around training if people have lost their jobs as a result of covid and so on. It really does cover a whole range of issues.

As I mentioned earlier, in infrastructure programmes, you sometimes get issues to do with aggregate, ladders, or other things like that if there have been constraints because of covid. There is a whole range of issues to consider in trying to make sure that infrastructure projects can deliver as fast as possible.

Q68   **James Wild:** You have touched on this, but what do you consider to be the major barriers to achieving 2025, in terms of regulation and other measures?

Susannah Storey: There is a whole range of things—

James Wild: Perhaps the top three.

Susannah Storey: I don't tend to look at it in terms of a top three, but the barriers I would highlight include making sure that the build has access to the right streets and that the planning conditions are appropriate; those are definitely key issues. On the regulatory side, Ofcom has moved to give access to Openreach's ducts and poles, which is very helpful. As I have said, it is vital that the commercial market be galvanised to build this infrastructure, because four fifths of this build will come from the market, so having the whole range of conditions is critical.

Q69   **James Wild:** The reason I ask is that Openreach, in their evidence to the Committee—this is a consistent theme from industry—say that DCMS has yet to deliver legislation that will meaningfully tackle the numerous barriers that will slow down deployment. What are you doing to address the concerns? You have had lots of conversations with industry, so it won't be a surprise to you that they have said that to us. What are you doing to deliver this, to get this programme moving?

Susannah Storey: The programme is moving. Specifically on your point on legislation, we are legislating. The Telecommunications Infrastructure (Leasehold Property) Bill is in the Lords. There are a whole range of different things. As the Minister for digital infrastructure said recently to the Select Committee, we are pressing on with the relevant legislation.

Q70   **James Wild:** Yes, but again, that is an area where Openreach have said that the Bill is fine for dealing with non-responsive landlords, but it does not deal with landlords who might fail to meaningfully negotiate wayleave agreements, or who would seek excessive costs. This is an issue that the mobile and telecoms sectors have been talking about for some years. I declare an interest: I worked for a mobile phone operator. Are you looking at strengthening the Bill in the way that industry is telling you needs to happen to meet the 2025 target, which the permanent secretary says is a credible timetable?

Susannah Storey: The partnership between industry and the Government is very strong. We have spent a lot of time with them talking through what they perceive to be the barriers, and the Bill that is going through Parliament was absolutely the priority. There are always things that they would like, and the barrier busting taskforce, which is a cross-Government taskforce, is looking at any further issues that might be important. Then we can press ahead with those where relevant. It is a whole range of different things, and we are making a lot of progress across the board.

Q71   **James Wild:** How important do you consider business rate treatment of fibre to be in delivering the 2025 target that the Government is committed to?

Susannah Storey: Business rates, as a tax, are a matter for the Treasury.

Q72   **James Wild:** That wasn't the question I asked. How are the Department and BDUK responsible for delivering this programme? How important do you consider industry to be, and the conversations you have just referred

to? How important do you think the treatment of business rates is, if the industry is to meet the 2025 target?

Susannah Storey: We hear from industry about a whole range of things that they would like in the context of telecoms build, and business rates are certainly one of them. Obviously, as a tax matter, we in DCMS cannot make decisions on that.

Q73 **James Wild:** I am well aware of how the Treasury system operates; I was not asking about that. I was asking you what your departmental view was, but you seem reluctant to share it.

Susannah Storey: I think I answered the question: it does come up, among other things that telecoms operators raise.

Q74 **James Wild:** Are you making the case to the Treasury to extend the exemption when it finishes in 2022?

Susannah Storey: We have lots of different conversations with the Treasury, as you would expect. At the moment, our primary focus, as Sarah has said, is on getting the spending review moneys on a multi-year basis for this programme, because it is so critical.

James Wild: Okay. I am not sure how much light we have got from that series of questions, which is disappointing.

Chair: I think you may have worn out Mr Wild.

Q75 **James Wild:** Mr Kalia, how long was the procurement process for superfast broadband, from issuing a procurement to signing the contracts?

Raj Kalia: I can come back to you with that one; I was not around then. I have been with the Department only since January 2018, but I can definitely look back and find out what the original procurement timelines were.

Q76 **James Wild:** Although you are leading on this, you have not looked back at the superfast procurement process?

Sarah Healey: Can I come in here? We have of course thought about some of the pros and cons of the superfast contracting process. That is, in fact, one of the topics that the NAO Report reflects on, so I am very happy to talk about the precise numbers, which I think Raj is happy to follow up on. We clearly have learned some lessons from the superfast procurement process, but that process was focused on local authorities owning the contracts. What we are proposing for the gigabit programme is that these be central contracts, procured by BDUK working closely with local authorities on delivery.

Q77 **James Wild:** The reason for the questions is that we are almost a year on from the election and we have not launched a procurement framework for this programme as yet. You are unable to tell us when that will happen— this year or next year. My constituents want the roll-out of this programme, and it is frustrating that we have not been able to get clear

answers today.

Sarah Healey: Can I just emphasise that we have started the roll-out of gigabit-capable broadband? There is clearly the subsidised element of it, which we are talking about, but there is a whole range of—

Q78 **James Wild:** We have covered that, Ms Healey. We are here to focus on the subsidised part. I have been very clear in my questions. You keep reverting back to stuff that is already happening. That is not really of interest today. What is of interest is this new programme.

Sarah Healey: As I said earlier, we did explain that focusing on the lessons of superfast was really helpful, but the programme is still in development. A range of other programmes are also under way, including gigabit voucher schemes, which local areas can use to improve their coverage before we launch the full gigabit programme.

Q79 **James Wild:** Yes, but you said that you are confident about the target for 2025. It is not unreasonable for us to ask questions about when it will start.

Sarah Healey: I said we acknowledge, and our Ministers acknowledge, that the target for 2025 is extremely challenging, but we think that it is right to be ambitious in the context of the importance of improving digital infrastructure, especially for areas that do not have access to superfast.

James Wild: I think we will all be more confident once the procurement has launched.

Chair: Then we can perhaps get some dates attached to it.

Q80 **Mr Holden:** Ms Storey, I know Mr Wild asked what your top three issues were, and you rolled off planning, Ofcom and commercial markets. You also previously mentioned immigration and aggregates, including issues with ladder procurement. Openreach has mentioned DCMS legislation. Mr Wild also highlighted issues around business rates—he did not get any answers from you on that. You did not mention covid at all in your analysis. I wonder whether the pandemic has provided a chance for the Department to re-evaluate the target, and to accept that basically the 2025 procurement process still has not started. We are a year out from the election, and that process will take at least 10 months, so that is another year. Why haven't you, in the light of the pandemic, chosen to re-evaluate the target now?

Susannah Storey: The target itself, obviously, is a matter for Ministers. Through covid, as we were saying earlier, the focus on digital infrastructure means that there is an understandable high ambition. As Sarah says, we recognise, and our Ministers have been clear, that it is challenging, but through covid, there has been a lot of continued progress, in terms of the conversations with industry that Raj mentioned, and all the various foundations for this programme, which we touched on. If anything, the focus remains what it always was, notwithstanding covid.

Q81 **Mr Holden:** Ms Healey, we are obviously looking at infrastructure at the

moment. Superfast infrastructure has come forward. Page 8 of the Report, paragraph 12, says that around 14% of the UK has full-fibre rates, which is way below the European average. Even gigabit-capable is only 27%. If we look at the chart on page 25, in the second part of figure 4, we see we are the second lowest in Europe. Why are we still going through procurement processes? You have highlighted that the needs during covid have supercharged this, but we are still stuck in the planning stages.

Sarah Healey: A few things on that: first, the coverage of gigabit-capable broadband is over 30%, and we expect it to increase significantly over the course of the next few months—in the next year or so—as a result of Virgin upgrading its cable network. We expect those numbers to improve. There is 17% full fibre, but gigabit-capable is more than that, and our latest numbers are over 30%. That has increased significantly, and we are expecting it to increase further as a result of the Virgin investment.

With a major, complex problem of this sort, I would expect the Committee to anticipate that we would treat as absolutely essential the need to ensure that the value for money and design of this programme were right. That is what we have been focusing on in rolling it out and developing it over the last year or so. As Susannah set out, we have focused on reducing barriers to commercial roll-out, which will ultimately deliver most of the coverage under our gigabit target, and we have focused on ensuring that our ongoing programmes continue to deliver. For instance, the local full-fibre networks programme—which takes gigabit-capable technology from fibre to local areas, to public buildings—will bring a large number of premises very close to full-fibre lines, and will therefore make future roll-out easier.

The suggestion that we have not been making progress on this, simply because we have yet to launch the procurements for this subsidised programme is not right. Veterans of the Committee's investigations into the superfast programme in the early years of its roll-out will be very aware that serious questions were raised about the value for money of those contracts. Clearly, we want to learn those lessons and to ensure that the contracts for this gigabit-capable roll-out are designed effectively and to maximise value for money for the British taxpayer.

Q82 **Mr Holden:** To talk about covid a little, have those value-for-money assessments changed in the light of covid, with more people working from home, more students studying from home, and that sort of thing?

Sarah Healey: As we discussed earlier, much of the network has stood up pretty well under the pressure of extra usage, but it is clear that reliance on broadband and the need for more reliable networks just increases more over time, so we do anticipate that. I was asked whether we anticipate the programme being value for money. Clearly, superfast has proven good value for money already, even in a smaller timeframe than in the broad assessment at the beginning of the investment, and we have no reason to think that future-proofing the network to ensure that it is gigabit-capable will be anything other than a good use of taxpayers' money.

Mr Holden: To answer my question, have your value-for-money assessments changed due to the coronavirus pandemic?

Sarah Healey: I don't think they have changed because of the coronavirus pandemic. Raj, you could tell me whether some detailed changes have been made as a result, but essentially, every year we see increasing pressure on broadband use, and therefore the need for reliable networks in future, even if we all accept that, for most families, superfast is currently acceptable for doing the kind of things that they are doing during working-from-home periods.

Q83 **Mr Holden:** Recommendation f on page 14 of the NAO Report demands that you "present a detailed plan and schedule". The one thing that we have definitely not had from you today is a detailed plan or schedule. In fact, the detailed plan seems to be constantly moving around, and the schedule seems to be non-existent. Do you agree with the NAO? Will you be able to provide us with some form of detailed plan and schedule?

Sarah Healey: As we discussed with the NAO in the preparation of this Report, it is focused on the lessons we learned from superfast. As we develop the gigabit programme, which has yet to be fully developed—

Mr Holden: A simple yes or no will suffice.

Sarah Healey: Obviously, when we launch the gigabit programme, we want to have with it a detailed plan and schedule of what we are intending to deliver—so yes.

Q84 **Mr Holden:** We are now almost a year on from the general election, as Mr Wild pointed out, and we know that it will be at least a 10-month process, which will take us to two years on. How have we not already got a detailed plan and schedule at this point, when you are coming before us again today?

Sarah Healey: This is a really complex programme and it is, as we said, extremely challenging. It is absolutely the right thing to do, but because of the scale of public expenditure, we have to set up properly, as the Committee would expect, so that we can ensure value for money.

Q85 **Mr Holden:** Ms Healey, you seem to be softening us up a bit. You have already said that the entire programme is extremely challenging, but it is right to be ambitious. Are you just softening us up for the fact that there is no way on God's green earth that your Department can meet 2025?

Sarah Healey: In calling it "extremely challenging", I am only repeating exactly what my Ministers have said, so there is nothing new in what I am saying today.

Q86 **Mr Holden:** But you are giving the evidence. Are you softening us up?

Sarah Healey: The programme is still under development, and we are still in discussion with the Treasury about the spending review. I am not in a position right now to make any statement of that sort. I simply refer you to what my Ministers have said—both the Minister for digital infrastructure and the Secretary of State—which is that it is a very important

programme, but it is very ambitious, and will be challenging to deliver on a 2025 timescale.

Q87   **Mr Holden:** Ms Storey, is the shift to gigabit-capable rather than nationwide full fibre simply a device to try to make hitting that clearly extremely challenging target easier? Has that wording been a shift?

Susannah Storey: The wording of the gigabit target is the manifesto commitment, and that is what the Government and our Ministers are focused on.

Raj Kalia: The wording reflects the fact that the programmes that we have need to be technology-agnostic. "Full fibre" specifies exactly what technology needs to be delivered. We are not specifying a technology; we are specifying the outcome. The outcome is that we want a service that delivers 1,000 megabits—a gigabit. If it was deliverable using full fibre, that would be fantastic, and we expect a lot of the connections to do that.

The Virgin Media network is increasingly being upgraded to be gigabit-capable. As Sarah said earlier, through Virgin Media, we currently have 34% gigabit-capable available, and we expect that to be 52% by the end of next year, 2021. Gigabit-capable is what we are targeting, not specifically full fibre.

Q88   **Mr Holden:** Cable and full fibre are essentially a fixed connection in the ground. Are there any other technologies that you are looking at to try to get to gigabit-capable broadband?

Raj Kalia: Sure. As I said, we are looking at gigabit-capable broadband being the outcome—

Mr Holden: But apart from those two things, what else are you looking at?

Raj Kalia: I was about to say, to the extent that 5G can deliver gigabit-capable, that would be included. If there was a fixed wireless access service that could deliver gigabit-capable, that would be included. We are not being prescriptive as to what technology it is. We are saying that we want the outcome to be a gigabit-capable connection. If it can be demonstrated that a gigabit-capable connection can be delivered by a technology, that technology will be part and parcel of the portfolio of technologies that will be approved.

Q89   **Mr Holden:** There are obviously massive limitations with 5G, including the fact that it cannot go properly through walls and cannot travel more than a couple of hundred metres. It needs that full fibre connection to operate, because you can only have the poles a few hundred metres apart. I want to come back to Ms Healey. You said that you are not really in a position to comment on this, but you have already told us that you are absolutely confident that the spending review will provide you with what you need. Which side of the coin is it?

Sarah Healey: What I said earlier is that I believe that the gigabit programme would be funded in the spending review, but it is not up to me to determine precisely at what level—

Q90   **Mr Holden:** No; it is up to them to fund it, but it is up to you to deliver it. Are you going to get the funding that you need to deliver it or not?

Sarah Healey: Well, we will see in the spending review.

Q91   **Mr Holden:** That is a change from what you suggested previously.

Sarah Healey: What I said earlier is that £5 billion had been allocated for the programme, and I do not expect that the Treasury are going to pull back on that allocation. The spending review is coming up—you know that—and in advance of that, I cannot comment on the precise details of what allocation we will receive at what point.

Q92   **Mr Holden:** Moving back slightly to Ms Storey, who highlighted so many different potential issues that she could not name a top three, it seems that another one might be the spending review. Is that your view?

Susannah Storey: Having the spending review outcome is obviously absolutely critical and, to be clear—

Q93   **Mr Holden:** Is the spending review a risk for this programme?

Susannah Storey: The spending review outcome is not clear. I think the Treasury have been clear that what they would like to do—

Q94   **Mr Holden:** So the spending review outcome is not clear, but Ms Healey has indicated that basically the spending review outcome is clear; so are you now adding the spending review outcome as another risk to this programme, which is another few months of delay, because we do not know when the spending review is going to fully come out?

Susannah Storey: No. What we are saying is the spending review is not complete, so we cannot give you clarity on the financial profile from the spending review.

Sarah Healey: We do not expect that after the spending review there will be any change in the Government's commitment to investing in gigabit.

Q95   **Mr Holden:** No, absolutely, but one thing we do know, Ms Healey, is that the spending review is going to be a one-year rather than a three-year review, so because you are looking at a longer-term programme does that affect your ability to deliver this programme?

Sarah Healey: As Susannah has said, and as has been made clear, some key capital programmes will be funded on a multi-year basis, and we are in discussion with the Treasury about that.

Q96   **Mr Holden:** So are you confident, as you were before, that you will be one of those programmes which is going to get a multi-year settlement?

Sarah Healey: That is not my decision.

Q97 **Mr Holden:** I did not ask if it was your decision. I said are you confident that you will get it?

Sarah Healey: We are in active discussion with the Treasury and we are confident that the Government's commitment to funding gigabit will remain, as I said earlier.

Mr Holden: I think I will hand back to you, Chair.

Chair: I think even Mr Wild and Mr Holden feel a little defeated by that exchange, so I will go back to Mr Wild on a slightly separate point, and then go to Sir Geoffrey Clifton-Brown.

Q98 **James Wild:** I want to come to the point in paragraph 2.11 in the Report, on page 33, around the approach to high-risk vendors. The agreed wording is that the decision to exclude high-risk vendors "has the potential to introduce considerable expense and delay to the roll-out of gigabit-capable networks." Ms Healey, to what extent will excluding high-risk vendors from core parts of the network put 2025 at risk?

Sarah Healey: I am sorry, we have a slight problem with our computers, because they do not use Zoom properly, so my screen keeps disappearing; but in fact Susannah is going to take this one.

Susannah Storey: Obviously, earlier in the year we had two separate announcements in relation to high-risk vendors, and we have been clear about the position in relation to Huawei for 5G, and the Government is bringing forward the telecoms security Bill, which will set out these measures in legislation. In relation to fixed providers, we are undertaking a technical consultation that is not yet complete, so I cannot give you a firm answer, but we are in the process of working through the arrangements with them at the moment. Once that consultation is complete, we will be explicit about what it means.

Q99 **James Wild:** So at this stage you are unable to say what potential impact this could have on the programme.

Susannah Storey: That is right.

Q100 **James Wild:** Did you not provide that advice to Ministers ahead of Ministers coming forward to the House with measures? The Secretary of State was candid that there would be implications for programmes—but you did not quantify that for him?

Susannah Storey: We provided advice in the context of the overall high-risk vendors approach across the board.

Q101 **James Wild:** You mentioned the Bill. I ask—not in the expectation of getting an answer—when will the Bill be published?

Susannah Storey: It is coming forward shortly, but it is subject to the usual—

Q102 **James Wild:** As soon as possible?

Susannah Storey: You will know better than me in terms of the timing for the Bill. I think the Secretary of State has been clear about it coming forward this autumn.

Q103 **Chair:** We recognise that that is not entirely in your hands, and the Whips have a say, but you are expecting this autumn is when you will be ready to publish it. Is that fair to say?

Susannah Storey: That is right. The teams are working extremely hard on it.

Q104 **Sir Geoffrey Clifton-Brown:** When this Report was made, had you done a full evaluation of what the implications might be of withdrawing this particular high-risk vendor—the risk to the programme?

Susannah Storey: The NAO Report? Can you just clarify which report you are referring to?

Q105 **Sir Geoffrey Clifton-Brown:** When the NAO Report was written, had you done a full assessment of the withdrawal of the high-risk vendor to the future programme completion by 2025?

Susannah Storey: The NAO Report was in relation to the lessons learned from superfast, so high-risk vendors were not really part of the terms of reference. We did talk to the NAO about high-risk vendors and, as I have said, there is an ongoing consultation about the implications. We have not got an answer on that, but we will give one when that consultation is completed.

Q106 **Sir Geoffrey Clifton-Brown:** Ms Storey, Mr Wild has already quoted from paragraph 2.11. I remind you that this is an agreed Report. Towards the end of that paragraph it says, "This has the potential to introduce considerable expense and delay". Could you quantify that for us?

Susannah Storey: I am not sure that the NAO had underlying quantification for that remark. The reason why we were content for them to keep that in there was because it is possible, depending on the outcome of the technical consultation, that there could be a delay if fixed operators were required to do certain things in the network on certain timelines, but it is not certain at this point.

Q107 **Sir Geoffrey Clifton-Brown:** I am not sure that is an acceptable answer. This is an agreed Report. It states that quite clearly in the Report. If you did not agree with it, why did you and your permanent secretary not ask for it to be clarified or taken out? Perhaps you could answer that, Ms Healey.

Sarah Healey: We agree that, as the Report says, there is a risk that it will cause a delay. We are currently undergoing a technical consultation with providers in order to understand the precise implications and likely timetable for the removal of Huawei equipment. That is why we are not able to give you a precise quantification right now.

Q108 **Sir Geoffrey Clifton-Brown:** Going back to the previous exchange, once the Chancellor has made his announcement on 25 November, could we

ask you fairly soon thereafter to write to the Committee with some fairly precise answers, with the timetable and milestones, as to how precisely you will meet the 2025 target?

Sarah Healey: Once funding has been confirmed in the spending review and, as Raj said earlier, once all approvals have been received and Ministers have agreed the approach, we will, obviously, be happy to communicate with the Committee about the programme. But, as we made clear to the NAO, at the point where it wanted us to co-operate with this Report, which we were very happy to do, the programme for gigabit is not—

Q109 **Chair:** Ms Healey, you do not have an option about whether you co-operate with the National Audit Office. That is a very interesting interpretation of your relationship with the auditors.

Sarah Healey: What I am trying to say is that we were clear that we were happy they wanted to do a report on lessons from superfast, but we wanted to ensure that they were fully aware that we were not going to be able to talk about the roll-out of gigabit in great detail, because the programme is still under development.

Q110 **Chair:** I think I need to bring in the National Audit Office, because we have had a little bit of push-back on an agreed Report, on a subject that we all thought we were fairly straightforward in looking at this afternoon.

Gareth Davies: I think the permanent secretary has just confirmed that the comment about the risk on high-risk vendors in the Report is an agreed comment. I was happy that we were in the same place on that.

Chair: Would the Director like to add to that?

Louise Bladen: When we were writing the Report, we were obviously aware of what was happening with Huawei at the time. We had seen press speculation about the risk to roll-out of the gigabit programme. It was a conversation we had with DCMS at the time. DCMS thought the risk was less than the press was speculating, but we did not have a clear evidenced position on that from DCMS.

Chair: We need to move on, because I am not going to have an argument about something that has been agreed. I will ask Sir Geoffrey Clifton-Brown to take us forward.

Sir Geoffrey Clifton-Brown: I think we have covered that section.

Q111 **Chair:** Perhaps BDUK could tell us what we need to do next in order to deliver this on time. What is the point of no return, Mr Kalia, to meet the 2025 deadline?

Raj Kalia: As I said before, we are already delivering towards the 2025 target and all my team are busy trying to figure out how we work through approvals. We have been through many approvals already. We are waiting for the spending review to be approved. We will then go through the approvals with Ministers.

Q112 **Chair:** We know the process. We have gone through the process quite a lot. When will you have had to done all this by in order to meet that 2025 deadline?

Raj Kalia: As I was about to say, once we have gone through the spending review and the approvals, we will publish a timeline as quickly as possible.

Q113 **Chair:** The spending review is this month, we think, for a year, which may reprofile the spending because it is a year, not a three-year review, so there is a possibility that the £5 billion would all come in one hit. You then have to go through your approvals and so on, so when will the contracts be let?

Raj Kalia: The approvals process will happen as soon as possible after the spending review. We have geared up the market—

Q114 **Chair:** Sorry, Mr Kalia, we know that it will happen as soon as possible after the spending review, but it takes some time to do that. Obviously, there is a point at which you will have to do this to hit that 2025 deadline. It is the curse of politicians that we write our manifestos and set you those difficult deadlines, but that is the deadline that you have all said today you are still working to, so when is the point of no return—when you will have had to make the approvals to hit that 2025 deadline?

Raj Kalia: As I said before, we are already working on the 2025 deadline, so we are already delivering gigabit-capable connections today. We will deliver as soon as possible after approvals—

Chair: I rarely do this, but I give up and ask Sir Geoffrey Clifton-Brown to come riding to my rescue.

Q115 **Sir Geoffrey Clifton-Brown:** May I press this a bit further? We are not really getting any satisfactory answers out of this hearing today, are we? Paragraph 3.8 of the NAO Report states that there needs to be an eightfold increase in letting the projects—up to 1,200 contracts. Let me follow up the Chair's question: when is the latest date by which all 1,200 contracts need to be let to meet the 2025 target? It is a fairly straightforward question. You must have done work on this.

Raj Kalia: The NAO Report happened at a point in time when we had a proposition that we had put to the market. We had not consulted the market entirely—we were still engaged with the market on exactly how we would deliver the programme. Since the point you cited of there being 1,200 contracts, we fully expect our position to have changed. We are reworking that programme and the number of contracts will be fewer. We are currently working through the exact profile to 2025 and the exact lotting and size of contracts, and giving that advice to Ministers. We need to wait for Ministers to approve that advice. Once they have done that and we have the approvals for spend through the spending review, as Sarah said, we would be really happy to come back to talk to you about what that timeline looks like.

Q116 **Sir Geoffrey Clifton-Brown:** Given that you cannot just let a contract

and expect the work to be done tomorrow, and given the scale of the work, to meet the 2025 target—whatever the number of the contracts is; we can argue about the numbers—when is the last date by which you need to let all the contracts? It is a fairly straightforward question.

Sarah Healey: Unfortunately, because Ministers have not agreed the exact bundling of the contracts and exactly how we will roll this out, we cannot give you that precise timetable at the moment. Once we have a precise timetable and have agreed the contracting approach, we would be happy to come back and talk about it again. As we discussed with the NAO, the gigabit programme is at a certain point of development where unfortunately, we cannot give you all the details because they have not been finalised.

Q117 **Sir Geoffrey Clifton-Brown:** But Ms Healey, you are responsible for reporting to this Committee and to Parliament. You are the senior civil servant responsible to Ministers for delivering this programme. You must have done some work to know what the latest date is by which you can let all these contracts. Otherwise, you do not know what your programme of work is. You have a 2025 target, which you are not prepared to admit this afternoon that you will not meet, so we can assume that you will meet it. What is the latest date by which you will let the contracts in order to achieve that? It is a very straightforward question.

Sarah Healey: I am sorry, but it really depends on the order in which you decide to let those contracts and sizes of contracts at different times.

Q118 **Sir Geoffrey Clifton-Brown:** I am not asking about the order or the number. I am asking: what is the latest date?

Sarah Healey: I would love to give you a date, but I am afraid that I am not able to do so today. Obviously, as soon as those issues have been finalised, Ministers have agreed the contracting approach and funding and profiling have been agreed in the spending review, we will be happy to come back and talk to the Committee. I take very seriously my accountability, but it is not possible at the moment for me to confirm details that have yet to be agreed by Ministers.

Q119 **Mr Holden:** To come back on that, each of the bundles that you are possibly contemplating will have different timelines. What is the last date on the bundle that could possibly happen? You must have considered the different bundling options.

Sarah Healey: We have a series of bundling options.

Q120 **Mr Holden:** We all get that bit. What is the last date that you need to get sign-off in order to be able to hit your 2025 target?

Sarah Healey: I do not think there is a precise date in our plan as yet, but as the Report points out, our intended timescale is to start those procurements being let in the last quarter of 2021.

Q121 **Mr Holden:** Are you saying that you are going to start in the last quarter of 2021, or that you will finish doing them in the last quarter of 2021?

Sarah Healey: What I am saying is that the Report sets out that our aim is for the procurements to be concluded in the last quarter of 2021. I am right in saying that, am I not, Susannah?

Susannah Storey: Yes. As I think we have said—I know it is frustrating—we do not have the approvals. Therefore, we cannot be explicit, but we are in the process now of getting the spend and other approvals. We will then be working at speed to get the procurements out, and our working assumption is that they will be operating by Q4 next year. But as we say, this is hypothetical until we have the approvals.

Q122 **Mr Holden:** We do appreciate the position you are in on the spending review side of things. We get that. What you are basically saying is that if these are going to be concluded by the last quarter of 2021, decisions will have to be made in January and February next year.

Sarah Healey: We certainly think the decisions need to be made imminently, and we are trying to say to you that they will be made soon. We are not currently able to communicate them, because they have not been made.

Q123 **Mr Holden:** We understand that, but there has to be a timeframe. If that timeframe slips, you will not be able to hit your 2025 delivery, which, as you have admitted, is already incredibly challenging.

Sarah Healey: Indeed. As Susannah says, the Report includes information about when we expect the first procurements to be completed.

Q124 **Mr Holden:** We know, and you are basically saying, that it is already very challenging. If there is a slippage in these deadlines, would you be able to hit the 2025 target?

Sarah Healey: We would have to do some re-planning on the basis of what that meant and which procurements had slipped.

Q125 **Mr Holden:** On your current plans, if there is a slippage in these contracts, you could not hit the 2025 deadline.

Sarah Healey: At the moment, our intention is to release them then, because that is the soonest that we can possibly do this, and that is what we need in order to progress our subsidised delivery. I just think it is really not sensible to give an absolutely yes/no answer to a situation where, if we were in that position, we would see what was achievable.

Mr Holden: We have an absolute yes/no deadline of 2025, so that is where we are on that. I shall hand back to the Chair.

Chair: Thank you. We now have something we can keep an eye on. I will now hand over to Olivia Blake, who will talk about some of the practicalities.

Q126 **Olivia Blake:** I first want to focus a bit on local government. I would like some very sharp answers, if possible, so that I can get to the other part of my questioning. This question is to Ms Healey. The LGA evidence that has been submitted to us called on the Government to provide extra

funding for local digital champions to co-ordinate and deliver locally. Do you agree, and is this part of your spending review submission?

Sarah Healey: Raj will take that question because he works with them closely.

Raj Kalia: We absolutely recognise the importance of local authorities in delivering the superfast programme today and the UK gigabit programme in the future, and all the other interventions that sit inside the UK gigabit programme as well as the outside-in element. In constructing the new programme, we have considered the role of local authorities. As we have said, we will be looking to centralise the procurement activity and the commercial activity. That in no way means all of what local authorities do. Broadly, 60% of what local authorities do will still need to be delivered. We are working closely with the Treasury to understand exactly how we can support those resources, as well as working with local authorities, some of which are very keen for superfast to be delivered and gigabit-capable to be delivered and have already stated their commitment to providing the resources necessary to support the future programme.

Q127 **Olivia Blake:** The Minister seemed to agree that this was a good idea. Is it part of the funding that you are bringing together—yes or no?

Raj Kalia: As I said, we are talking to the Treasury about a range of things that we need approving, and we await the approval process from the spending review.

Q128 **Olivia Blake:** Paragraph 2.10 of the NAO Report says that work would need to be undertaken on almost every road. Are you anticipating that local authorities will have to recruit extra capacity not only into their planning teams but into their highways teams, to be able to allow this to happen, and is that part of your submission for the spending review and after that?

Raj Kalia: As I said, local authorities have a very important role to play. The role of local authorities will change in the future programme, the UK gigabit programme, which we think will be taking broadly 40% of the work of local authorities away, in terms of centralising the procurement and commercial activity. They will be left with 60%, and that includes some really important work—not just the highways work, which you quite rightly pointed out is really important. Trying to make sure that we clear the barriers to delivering broadband infrastructure is really important to delivering on time and successfully, but so is making sure we are engaging with local communities. Local authorities have an important role, looking with their communities to understand what is being delivered and, importantly, if there are any changes to that delivery.

Q129 **Olivia Blake:** You are saying there will be savings on procurement. Have you checked or asked or found out whether any savings that could be found from procurement would be put into other aspects of this, or would they go on statutory services?

Raj Kalia: We worked very closely with local authorities when we constructed this programme. I and my team have had multiple

conferences, up and down the country, looking at this—both virtual and face to face. I and my team have done Zoom calls and hangouts with numerous leaders and senior leaders of councils. So everybody understands the importance of this programme, and everybody is keen to ensure that we work together to deliver it.

Q130 **Olivia Blake:** I am sure that that is absolutely true. However, there have been calls—this is also in the LGA's evidence—for a commitment to Government grants of £30 million to help support this work for local authorities. Have you reviewed that, and do you think that that is a necessary ask?

Raj Kalia: As I said, the approach is different in different authorities. I have spoken to some authorities that have said, "Please come and deliver as quickly as you can. My team are ready and engaged to work with you." Some authorities, especially in the current climate, may find this slightly more challenging. We have worked with the Treasury and we are speaking to the Treasury about all the options.

Q131 **Olivia Blake:** The point I am trying to get to is obviously about the triangle of yourselves, local authorities and business. The one that has probably taken the biggest hit from covid is local government. I think this is quite a big ask, and I would be interested to know whether you think that local authorities are going to keep their expert staff in place without extra funding. Are you going to try to secure funding for them to retain them, given the huge, huge pressures that local government is under at the moment?

Raj Kalia: I totally understand the huge pressures that local and central Government are under at this moment in time, and ordinary people in the street as well. We are working very closely with the Treasury to understand all the pressures, and the spending review will be our route to understanding how we might be able to help.

Q132 **Olivia Blake:** Ms Healey, do you have a view on that?

Sarah Healey: I very much agree with Raj. Obviously, local authority capacity is something we need to keep a very close eye on, and as Raj has indicated, we obviously are in discussion on a range of spending issues with the Treasury to ensure that some of the risks in the programme can be mitigated. But you are absolutely right: the local authorities have been under enormous pressure during the course of the covid pandemic, so it is something that we are very live to. It is also worth saying that we are reducing some of the pressures on local authorities by centralising the procurement process into BDUK.

Q133 **Olivia Blake:** Have you evaluated the risks to delivery in local authorities making cuts to non-statutory services such as planning, procurement and highways?

Raj Kalia: As I said, we have worked with local authorities to understand exactly how we deliver these services. I have had calls with senior leaders to talk about how we collaborate and plan for delivering gigabit, and many local authorities are very keen to work with central Government, which is

putting in all the capital funding for the programme. That is very different from the superfast programme, which was match funded by local government and central Government, and as a result those local authorities are very keen to put their teams forward to work with us to deliver gigabit.

Q134 **Olivia Blake:** I just wonder, because it seems from the evidence that the LGA are very keen to not be the bottleneck in this process; however, I think we are under no illusions that the funding is very difficult. Can I just ask whether you agree with the figure in their evidence that a year's delay would cost £9.7 billion in productivity benefits? Do you recognise that figure?

Raj Kalia: I am sorry, I do not recognise that figure. I know it is in the Report, but a year's delay obviously would be a delay too much. We are very focused on delivering the programme to 2025, and as we have said before, all of our intentions are to ensure we deliver that programme as soon as possible.

Q135 **Olivia Blake:** How much would a delay cost you as a Department?

Raj Kalia: Well, as I said, we are not focusing on delays today. We are focusing on working as hard as we possibly can to ensure that we deliver the programme as quickly and as soon as possible.

Q136 **Olivia Blake:** I am focusing on delays, because I believe it is quite a significant risk in the current climate, so I will repeat my question: if there are street works and planning issues that slow this down, what will the Department do to make sure we get across this? With the huge implications of the new housing builds and targets, what discussions have you had with MHCLG about achieving this?

Raj Kalia: We work very closely with MHCLG, actually. In terms of street works, we have worked very closely with DFT as well. DFT has a tool called Street Manager, and Street Manager has worked to digitise and make more efficient the process of permitting, and so on and so forth. We are working closely with both MHCLG and DFT to make sure the barriers to operationally delivering this infrastructure are minimised as much as possible. As a result of that, we think the programme will be able to deliver more efficiently than the superfast programme. It is what we hear from operators all the time, and moving barriers, as I say, is a key point in mitigating some of the risks you are talking about.

Q137 **Olivia Blake:** A question to Ms Healey: how transparent do you think your plans are to local authorities, and how are you preserving the outside-in in your discussions with them?

Sarah Healey: As Raj has said, we are engaging very closely with local authorities, and ensuring they are fully aware of where we are up to. We are currently going through a process of double-checking that the data we have on coverage is available, and in a new, centralised procurement approach, we will none the less clearly need to rely very heavily on local authorities' local knowledge. Indeed, as some of your fellow Committee members were mentioning earlier, it is really important that local people

have a say in the way that this roll-out is handled, and we will obviously rely on local authorities to make sure their views are represented.

Susannah Storey: Is it worth adding that Matt Warman, the Minister for Digital Infrastructure, and his counterpart in MHCLG recently wrote to all the local authorities in England about precisely these issues? We are seeking to raise the issues at ministerial level as well.

Q138 **Olivia Blake:** Moving on, then, how will you ensure that you identify the right properties for subsidies, given the lack of data?

Raj Kalia: As we have said before, having the right data is really important. When we define an intervention area, we do what is called an open market review. That OMR would look to understand what properties need to be built to and what operator build plans. Subsequently, where there were no plans to deliver infrastructure, those premises in the superfast programme and in the new programme will be defined as white premises, which we will lock into an intervention area, and we will then have a programme to deliver in that intervention area.

The data therefore comes from suppliers, in terms of what their build plans are and what they have already built, and from local authorities, in terms of what premises they have. That can come directly from local authorities and suppliers, or it can come through Ofcom and its Connected Nations reports. Our approach will be to not only use Ofcom's Connected Nations, because there is actually data that comes through on a quarterly basis, so we would want to work much closer with suppliers and local authorities to ensure that we have the right data.

To do that, we are improving our systems as well. We are moving from what used to be a spreadsheet-based world to a much more digitised, cloud-based environment, where all our data will be held centrally in a Google cloud lake. All the relevant stakeholders will be able to input their data into that centralised platform.

Q139 **Olivia Blake:** It sounds as though there is quite a lot of data input into that. How will you make sure that the standard of that data is all at the same level?

Raj Kalia: Part of what we have done is to invest very heavily in the teams in BDUK. We have a DDaT—digital, data and technology—team that is very much focused on understanding how we improve the processes that we had in superfast and on delivering much more efficient processes, with the right standards, in the new programmes. For instance, if you are submitting data, there would be some validation checks built into the process so that we automatically know that that data that you are submitting is valid and can be ingested into the platform. If it is not valid, some routines will be passed back to whomever is submitting the data, so that they can correct the data and then submit it in the right format.

Q140 **Olivia Blake:** How are you going to ensure that industry provides the data?

Raj Kalia: Industry is already providing the data. Openreach, for instance, provides build data already, so we get 24 months' worth of transparency from Openreach, and we have commitments from other operators to provide build data as well. There are obviously commercially sensitive challenges here. We need to ensure that we make that data secure, which is why we created this DDaT team, to make sure that the digital platform is safe and secure, to give all the operators the confidence to supply their data, so that we can understand their build plans and, subsequently, ensure that we define the right premises for intervention.

Q141 **Olivia Blake:** But some suppliers are still not supplying their plans, are they? Do BDUK local teams have enough data and knowledge to be able to identify the properties to subsidise?

Raj Kalia: A supplier is incentivised to supply us with data. When we are defining an area for intervention, if a supplier does not provide us with data about their build plans, they might build in an area and then we subsequently overbuild them. They would not really want that to happen, so they are incentivised to provide the data on their build plans, and then subsequently those areas that are being built to will be carved out of the intervention area. Their investors, for instance, would be happy with the fact that they are not being overbuilt.

Q142 **Olivia Blake:** How many experts do you need, and how many do you have in place?

Raj Kalia: Sorry; I don't know what you mean by "experts".

Olivia Blake: People within the local teams with the correct skills to be able to deliver the project.

Raj Kalia: We have looked at various local authorities, and we estimate that it could be one in some authorities, but it could be up to four in some authorities. Broadly, we have taken the approach that we probably need a couple of people working on this programme to ensure that we can deliver it. That is what we have seen in the superfast programme as well.

Q143 **Olivia Blake:** Do you feel that that is a good way of managing it? Obviously, the size of local authorities is very different and the number of properties per expert, if you will, would be very varied in that kind of model. Have I missed something there or will this mean that smaller areas are going to deliver faster, or that bigger areas might have more in the way of support? What does that mean? What does it look like on a local level?

Raj Kalia: Unless we sit down and define what we mean by experts, because there is a whole bunch of people who are involved in delivering digital infrastructure for local authorities, and there are a whole bunch of roles involved in delivering digital infrastructure for local authorities and, as you rightly point out, larger authorities may require larger amounts of people, so we look at it on a case-by-case basis. That is exactly why I am engaging at a senior level with CEOs and senior leaders, and talking to them about how we work together and collaborate on delivering that. They

broadly welcome the conversations as well and they are very keen to work with us.

Q144 **Olivia Blake:** What I am trying to push is will you have to do a massive recruitment drive to make it deliverable? Have you got the plans for skills and skills building over the next five years to make it deliverable? Are you expecting funding to come from local authorities to cover some of that cost?

Raj Kalia: If you are talking about BDUK, it does need to scale. You are quite right. We have said that we are going to be centralising the procurement and commercial activity. Not only that, we are also committed to being much more regional, so that means I will be recruiting more project directors and local delivery leads so that we work much closer with local authorities. Each local authority will have a local delivery leader assigned to them who will define how they work with us to deliver the programme.

Q145 **Olivia Blake:** Finally, how will you know for sure which properties have superfast and which do not?

Raj Kalia: As you said, it is all about the data. We know which properties we have delivered superfast to because we hold all that data today. So we would use that data and rule those properties out of any intervention in the short term. Obviously, as we move to gigabit, we will need to go back to the properties that have superfast and overbuild those properties first. As Sarah said, and as I think Susannah has also said, in the new programme we will look to need as well as speed, so we will be looking at those properties that have sub-superfast—so do not have superfast—to understand how we deliver to those too.

Q146 **Sir Geoffrey Clifton-Brown:** Mr Kalia, does it make sense to shift from a localised procurement programme, which was so successful in the superfast programme, to a centralised purchasing programme? Is there not a danger that if you do that, you will lose some local teams that are already under financial pressure because of covid, therefore you will lose that experience and all the knowledge they have about what has been rolled out where?

Raj Kalia: If I can put covid aside for one second then we can come back to that, because we clearly worked on this model prior to covid and then have evaluated it since covid. The superfast programme was a match-funded programme so part-funded by capital funding from a local authority and part-funded by the Government. The local authority subsequently contracted with the supplier and then built the team around their capital funding to support that programme.

In the new programme, we said that we would centralise the procurement and commercial activity. In actual fact, there were over 250 different projects that we had at any one time with over 50 different local authorities in the superfast programme. That meant that there were 50 different engagements with suppliers. If you are somebody like

Openreach, a large supplier, that is really complex and not very efficient for you to deliver at that scale.

When we moved to the new programme, we are delivering it at a much larger scale, so we wanted to understand how we could deliver the transactional activity, if you like, in a much more efficient way. Having one consistent set of contracts and commercial arrangements with all suppliers was our assumption and our hypothesis.

We subsequently engaged with all the local authorities, the teams in the local authorities and, as I said, I have personally been engaging with senior leaders, to work through this process. We engaged with the LGA. We worked with the ADEPT group, which is a sub-committee of the LGA, as well. All the way down the line, we have been clear about our hypothesis. We are still concluding, even post-covid, that it is more efficient to centralise the procurement activity and the commercial activity, simply because the scale of what we are planning to deliver is so much greater. If you are trying to deliver at scale and pace, and you have inconsistent contracts up and down the country, that acts as a headwind against your ability to deliver at pace.

Q147 **Sir Geoffrey Clifton-Brown:** Mr Kalia, I heard almost exactly the same words in relation to the emergency services network contract. I do not know whether you are aware of that contract, but it has increased by many billions of pounds because the Government tried to centralise the contract. Is there not a danger that if you do this, you will find that local services teams will feel that they have insufficient control over the service they need in their area? They know their area best.

Raj Kalia: Absolutely. That is why we are saying that all we are doing is centralising their contractual arrangements. Some 60% of the activity will remain with local authorities, because, as you just said, they know their area best. Operationally, when we are delivering this, local authorities will be part of that triumvirate, which will ensure we deliver in the most efficient way. We would not deliver this without local authorities. We are just taking the transactional activity and centralising it. We think that is not as value-adding as the activity that local authorities will be left to deliver.

Q148 **Sir Geoffrey Clifton-Brown:** Can I come back to you, Ms Healey, and ask about the £5 billion? Is the £5 billion enough money to deliver this programme, the final 20%? Does your work indicate that it is?

Sarah Healey: Yes. There are obviously some issues, as the Report sets out, with the final 1%, those properties that are in very far rural areas. We will need to think very carefully about how we deliver to those, as many of them may be much more expensive than the average.

Q149 **Sir Geoffrey Clifton-Brown:** As far as I am aware, the 1% is excluded from the future programme, is it not? But how are you so confident that that £5 billion is the right figure, when your previous estimate was that the roll-out of 10% would cost £3 billion to £5 billion? If that 10% was going to cost £3 billion to £5 billion, how can you be so confident that

20% will only cost £5 billion?

Raj Kalia: On the future telecoms infrastructure, where we originally talked about delivering 10%, you are quite right. It gave a range of £3 billion to £5 billion. It did not actually say £5 billion. Subsequently, when we moved from 10% to 20%, we just came out at the top end of the estimates. As Sarah said, 1%, the most expensive of those premises, are also not included in this. The future telecoms infrastructure review estimate was £3 billion to £5 billion, not £5 billion.

Sarah Healey: It is also worth reflecting that since the publication of that and that estimate, quite a lot of gigabit coverage has been delivered that had not been at the time.

Q150 **Barry Gardiner:** I want to focus on what the criteria of success might be in 2025 and ask the permanent secretary: if you were to have a nightmare—I hope you sleep well at night—about the delivery of this project, what would that nightmare consist of? Would it be the spending review not giving you the funding that you need on a long-term basis? Would it be that more than half of the superfast contracts are reporting delays due to their suppliers? What are the things that are keeping you awake at night?

Sarah Healey: Susannah listed earlier the risks associated with the project. Any one of those risks could end up, if not mitigated appropriately, in the project being—I tend to try not to be kept awake at night. Clearly, we want to make sure that this procurement happens as fast as possible, but with the maximum value for the taxpayer. If we had started being—*[Inaudible.]* We can really get into the meat of this programme with you and your colleagues on the Committee. Not being able to demonstrate that we were moving as fast as we should and achieving the value for money that we should—then I would be extremely worried. I know that there were major issues with the superfast programme when it was first being rolled out, and that is why I am so keen that we avoid those this time.

Q151 **Barry Gardiner:** So, really, speed is of the essence for you here.

Sarah Healey: We talked earlier about the need to focus on areas that do not currently have superfast coverage, and the importance of doing that. I have lots of friends and relatives who live in areas where they cannot get—

Q152 **Barry Gardiner:** Sorry, I do not want to cut you off, but I know that we are short of overall time and the Chair will want me to move on. I want to pick up on what you said there. In retrospect, do you think it may have been a mistake to have prioritised coverage in the way that we did by going for the fibre to the cabinet, rather than straight into the home, as we need for full fibre?

Sarah Healey: Obviously when people look at other countries and their fibre roll-out, it can look as if perhaps that was not the right judgment. I tend to think that it was the right judgment, considering the geography of

the UK and the nature of the market at the time. We obviously got ahead on superfast delivery; at the time we launched that—

Barry Gardiner: Did we?

Sarah Healey: There was almost no market for gigabit supply. It would therefore have been both extremely expensive and very slow to start to deploy, whereas all the deployment that we have done on superfast will not be wasted, because it has taken fibre to the cabinet and therefore closer to premises than it would otherwise have been if we had not made that investment.

Q153 **Barry Gardiner:** Will you set programme-specific objectives as clear measures of this delivery? If we look back to some of the programme-specific objectives to 2010, the target was to be the best in Europe. We now have 14% full fibre and that is, with all else considered, just 27% gigabit. We are not the best in Europe, are we? It does not look as if things have panned out in the right way, and getting to 2025 from 27% to 100% does seem a very tall order indeed, does it not? What are going to be the key specific objectives that you want to make sure we have in place to deliver that?

Sarah Healey: I can say unequivocally that we want to have very clear objectives in place at the point where we launch the subsidised part of the programme and be clear what we think the benefits are. We did a huge amount of work at the beginning of the superfast programme to define objectives and define the benefits that could be achieved by expanding broadband. At the time when we launched the programme—the NAO makes the specific criticism of us not having done that back at the beginning of the superfast programme, which is completely fair, partly due to the lack of an evidence base in order to define those benefits as clearly as we are now able to, thanks to the work that BDUK undertook in beginning its work on the evaluation of the superfast programme. So yes, of course we will do that as part of this one.

Q154 **Barry Gardiner:** You have previously admitted that the final 1% is prohibitively expensive. You have talked about needing to find other mechanisms for delivery. What are those mechanisms?

Sarah Healey: Raj talked a little bit about other technologies at the beginning—

Q155 **Barry Gardiner:** Well, he talked about data, but what I am trying to narrow it down to is, again, what is the priority here? What are the things that are going to do most of the heavy lifting, in terms of the data that you need and the mechanisms that you have in place to deliver that last 1%?

Sarah Healey: There will be different technologies that are appropriate in different circumstances to deliver the fastest possible speeds, and we will always evaluate the best value for money for particular technology in a particular location. There is not a simple answer to that question, I am afraid; I wish there were, but it will be a combination of satellite, use of

5G and new technologies that develop over the course of the programme, so if I were to tie us to a specific one now, I think that that would be a mistake.

Q156 **Barry Gardiner:** How will you ensure that you do not have a national target, part of the delivery of which is outside your control?

Sarah Healey: As with superfast, part of the delivery of the target was outside our direct control, because it also relied on commercial roll-out. We demonstrated with the success of achieving that target that we are able to have influence over the market, to monitor commercial roll-out, to identify the barriers to progress in that and to push industry where necessary. At the moment, the industry is showing huge enthusiasm for working on this gigabit roll-out where necessary. Obviously, it is always better to have all the levers yourself, but in this instance I think we have shown previously that relying on commercial roll-out does not necessarily mean that we cannot achieve the kinds of targets that we are setting for ourselves here.

Q157 **Barry Gardiner:** Finally, perm sec, this has been a fairly fraught interchange this afternoon—not particularly with me, but with many of my colleagues. I think there has been a perception that you are protecting either Ministers' backs or your own. I want to emphasise that we are on the same side here. We want you to succeed, and we hope that our questions will help you to do that. That is why having transparency from you is so critical for us as a Committee, to ensure that the delivery is done to best effect.

Sarah Healey: I really appreciate you saying that. I need to be clear that, when we discussed this with the NAO, it was inevitable that this Report and this hearing were going to happen before final decisions were made by Ministers. It is not up to me to make policy decisions for Ministers, and therefore in the absence of those decisions having been made, there is a limit to the amount that we can talk about a programme that has not fully launched yet. I am so happy to come back to talk about it in the future, and I completely agree that it is vital that it gets the relevant scrutiny, because it is so significant and such a large amount of money.

Q158 **Barry Gardiner:** Sure. I think we felt that when we were talking about the dates, we all understood that the different packages might mean different dates, but there would have to be one that was the latest of those. It took so long to get there, but we need to have a much more open and transparent dialogue if we are to achieve the success that we both want.

Sarah Healey: Absolutely. I am obviously reluctant to give dates where decisions have yet to be made.

Chair: On that point, I am going to bring in Sir Geoffrey Clifton-Brown.

Q159 **Sir Geoffrey Clifton-Brown:** Ms Healey, I agree with my colleague, Mr Gardiner. It has been a difficult exchange this afternoon, but this is a manifesto commitment. Our constituents are expecting this programme

to be delivered by 2025, and if that is not going to be the case, for transparency reasons we need to know that. You are maintaining this afternoon that it will be delivered by 2025, although we all know that it is very challenging and a lot of issues need to be overcome. My final question is the real question that my constituents in a rural constituency want to be reassured on: if the timetable starts to slip—you have maintained this afternoon that it will not, but if it does—can we be absolutely assured that the forgotten people, the people who have not got even a 10 gigabit signal in my constituency at the moment, will not be sacrificed on the basis of trying to meet the target timetable?

Sarah Healey: Our policy position is completely clear: our priority is to ensure that those who do not have access to superfast will receive access to decent broadband speeds as quickly as possible.

Sir Geoffrey Clifton-Brown: That is clear, thank you.

Chair: Thank you very much indeed. Thank you all for your time. The transcript will be up on the website uncorrected in the next couple of days. We expect to produce our report before Christmas, but we cannot be absolutely sure of that. Obviously, you will get a copy when it arrives. We look forward to your responses. You have given us some dates to keep an eye on, so we will do so, and we look forward to the information you promised to write to us with. Thank you all very much indeed, and I thank Committee members as well.