



Public Accounts Committee

Oral evidence: DCMS Recall (Broadband), HC 743

Thursday 4 November 2021

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Members present: Dame Meg Hillier (Chair); Shaun Bailey; Sir Geoffrey Clifton-Brown; Peter Grant; Mr Richard Holden; Kate Osamor; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, and Marius Gallaher, Alternate Treasury Officer of Accounts, was in attendance.

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Witnesses

I: Sarah Healey, Permanent Secretary, Department for Digital, Culture, Media and Sport; Susannah Storey, Director-General for Digital and Media, DCMS; Imran Shafi, Director for Digital Infrastructure, DCMS; and Paul Norris, CEO, Building Digital UK, DCMS.



Examination of witnesses

Witnesses: Sarah Healey, Susannah Storey, Imran Shafi and Paul Norris

Q1 Chair: Welcome to the Public Accounts Committee on Thursday 4 November 2021. Today we have a recall session with the Department for Digital, Culture, Media and Sport focusing particularly on an issue that has been a concern for the Committee for a number of years, the roll-out of superfast broadband across the UK.

Of course, the Government have a commitment to deliver gigabit broadband to 85% of properties by 2025. That is a very big challenge, so we want to keep the Department on its toes to make sure that this vital roll-out does take place. It has been really highlighted by the digital inequality that has been highlighted through the pandemic. We all know how important it is, and I am sure that all of us in this room are united in wanting to deliver it. We also want to cover some of the other important issues that we have talked to the Department about in the past, so we hope to get updates on areas of work including the gambling review and covid recovery plans, among others.

I would like to welcome our witnesses today. We have Sarah Healey, the permanent secretary at DCMS. She is joined by her colleagues Susannah Storey, the director-general for digital and media; Imran Shafi, who is the director for digital infrastructure; and Paul Norris, who is the senior responsible owner for Building Digital UK, which is the centralised system for making sure that broadband and gigabit is rolled out. A very warm welcome to you.

Before we go into the main session, I just wanted to ask you, Sarah Healey, or whichever of your officials is best placed to answer, about the changes to landlines. We know that the public switched telephone network is closing on 31 December 2025. Around 4% of UK adults live in a home with a landline and no mobile phone, and 3% have only a landline without any broadband, according to Ofcom figures.

The Minister told the House in September that the withdrawal is an industry-led process, but that the Government and Ofcom are working together to ensure that consumers and sectors are protected and prepared for the withdrawal process. We all have constituents who are in the position where they only have a landline. Can you just give us some assurance that you are on top of this and give us an idea of how you are going to make sure that those vulnerable people are protected?

Sarah Healey: I will kick off, and then I will ask Imran to pick this up as well, as it sits in his area. The upgrade to replacement for voice over internet protocol is intended to improve the quality of telephone services, but we are conscious that a switchover of this nature does affect services, particularly to vulnerable customers, who do not necessarily currently have the ability to use that technology.



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As the Minister said in the House, it is an industry-led process, but it is one in which we are very conscious of the need to work with industry and to press industry to take the right approach to help those vulnerable customers, in order to ensure they are ready for this when it happens. In particular, Ofcom has produced clear guidance that industry must follow when it is planning to introduce these changes in order to take account of that, so that, in circumstances where people found they did not have access, we would be able to support them. For instance, if they suffered from a power cut, which would affect the use of this, rather than the way it works at the moment with the telephone network as it stands, what kind of back-ups will be available for them?

It is also worth saying that it affects a set of sectors across Government that currently rely on the network. One thing that I have been personally doing is communicating with my colleagues across Whitehall to ensure that all the relevant Government Departments with an interest in this are engaged and thinking about how the turn-off of that network is going to affect them. Imran, do you want to come in?

Imran Shafi: Ms Healey has covered the main points. There is one thing I really want to push industry to uncover: what are all the devices that rely on this network? For instance, there might be some devices in the health space that rely on it. We need to ensure that we have a very strong understanding of those devices and that people are protected. The most vulnerable consumers will be those who are relying on this for their healthcare.

Q2 **Chair:** We understand that there are 1.7 million users of telecare personal pendant alarms. Do you know yet what the technical solution would be for those people? Have you got that far?

Imran Shafi: We have not got that far just yet, but we are pressing industry to push on this. We are meeting regularly with industry, Ofcom and other Government Departments on this. I am very happy to keep the Committee updated on this issue.

Q3 **Chair:** I have a personal interest in this, because I have a constituent who is very worried about it—I think we all have. We are four years out from this deadline, basically. You are confident, Mr Shafi, that you will get a plan up to make sure that there is no gap in service for people.

Imran Shafi: Yes, we are pressing industry to have a plan. We have our own plan with Government Departments. As you say, it is four years out, but these things creep up on you quite quickly.

Chair: Mr Shafi, that is music to our ears.

Imran Shafi: You need to make sure you are on top of it ahead of time.

Q4 **Chair:** We will maybe raise this at a future Committee meeting. Thank you very much indeed for that.



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Susannah Storey: Exactly as Imran says, we both spoke to BT this week. The majority of these customers sit with BT. It has guidance on its website, but, exactly as you say, we want to make sure that, if you are one of those customers, you know what to do. If you perhaps have not looked at the website—

Chair: If you are one of these customers, you might not have looked at the website.

Susannah Storey: Exactly, but that is why we are going to work very closely with BT in particular to make sure it is on top of it.

Q5 **Chair:** Just as the energy companies have an obligation to poor and more vulnerable customers, are you thinking about a similar responsibility for the people who are vulnerable in this category?

Susannah Storey: Ofcom already has responsibilities in relation to all customers, with a particular emphasis on the vulnerable. That is why, as Sarah says, it has put out guidance. We will absolutely be on top of this.

The Chair: Thank you very much. That gives me some reassurance. We still have time to get it resolved, so that is good. We are going to move on to our main session particularly looking at the roll-out of broadband, and I am going to ask Richard Holden to kick off.

Q6 **Mr Holden:** One of the things that we are particularly concerned about on the Committee, given what happened at our previous session—we were looking at some of these numbers and there was no clear plan for what to do next—is that things seem to be constantly pushed back further and further. On these first contracts, last year you told me and the Committee that we would be looking at the end of Q4 2021. In the summer update, we heard it would be May 2022. Then in your autumn update this year we are now looking at contracts between June and August next year. Could you just tell us exactly when you think the slippage is going to stop, Ms Healey?

Sarah Healey: It is worth briefly recapping the changes in the market. They have been really extraordinary this year and have led to us having to do some rethinking of plans. Those plans have changed largely on the back of extraordinary and unprecedented levels of planned investment by commercial operators. DCMS has continued to deliver broadband gigabit-capable connections to customers over the course of the last year and to those who do not currently have superfast-level connections through two programmes: through the extension of our superfast contracts and through the voucher scheme, which enables consumers to group together and apply for public subsidy for gigabit-capable connections.

It is worth briefly reflecting that that has continued, despite the fact that for the other element of the programme, which is the one you are referring to, the gigabit infrastructure subsidies aspect of Project Gigabit, we have not contracted at exactly the speed that we set out in some of the publications that we laid in front of the public.



However, as we made clear in our summer publication, this was largely due to the fact that commercial operators accelerated their build plans very rapidly. This has happened for a number of reasons. First, the Government's level of ambition with regard to gigabit has promoted market activity. Secondly, the market was stimulated by the introduction of the super-deduction in the Budget, which has encouraged infrastructure investment in this area. Thirdly, crucially, Ofcom published its wholesale fixed telecoms market review, which set out investment-friendly regulation encouraging infrastructure build. All of those things meant that we saw a sort of explosion in commercial operator plans.

One of our priorities in this programme is to ensure that we use public funds as best as possible and only where we absolutely need to use public funding, rather than getting the private sector to pick up some of this work. As a result of that, we needed to look at the areas where we had set out our plans to use that particular subsidy approach in order to build broadband and replan on the basis of the fact that the private sector was going to pick up more of that than we had expected. It is for that reason that we have not contracted at the pace we set out in our December publication, and because we have also been consulting with the market on the best way to take that forward.

Q7 Mr Holden: Ms Healey, I have your quotes from the last session. You said, "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". You are telling us today that the commercial sector has made that even easier for you, because it is rolling out even more commercial networks. In your autumn update—I am looking at your "Project Gigabit Delivery Plan: Autumn Update"—you are now saying it is going to be June to August next year. You are telling us that the commercial sector has made it easier and the super-deduction from the Chancellor has made it easier, yet your planning is slipping even further.

I have constituents who are feeling increasingly left behind as they are seeing the commercial roll-out to the more commercial parts of my constituency. People in Muggleswick, Weardale, Salters Gate or Peartree Terrace will never be commercially viable. In some parts, the voucher scheme is not even enough either. They are not going to be hit by this, but that is what your entire programme is meant to be aimed at. Yet even from last year we have seen a nine-month slippage just on the contracts.

Sarah Healey: We remain confident of achieving an 85% target on gigabit by 2025. As I say, those infrastructure subsidy contracts are not the only way that we are delivering gigabit-capable connections. We are conscious of the significance of the public investment that is being put in here. We have therefore been keen to ensure that we are not building in areas that commercial operators will be building in. Commercial operators have massively increased their plans to build. We have therefore had to replan the areas in which we are going to do that via those contracts. It does not necessarily mean that your constituents will be left behind. If they were in



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areas where commercial operators are not going to build, they would be eligible to look at the broadband vouchers.

Q8 Mr Holden: Just to pin you down a little bit on that, Ms Healey, there are sections that are not going to be built out commercially. Rather than thinking about exactly those areas that might be marginal, why have you not gone full steam ahead over the last year with contracts for the areas that are incredibly difficult to reach?

Sarah Healey: As we discussed in our hearing last year, before we even had a spending settlement for the gigabit programme, it is not the case that properties in a single area are all necessarily uncommercial, and it only makes sense to build in areas in which you can cover enough properties at once. It is not the case, for instance, that an entire region is uncommercial. We need to find areas within that region in which it makes sense to build and is efficient to build, where the commercial sector will not go. That is what we have to replan on the basis of their plans being accelerated.

Q9 Mr Holden: Sorry, that does not seem to make any sense to me. You are saying that you are having to replan on the basis of their plans of the areas that are uncommercial. They are all still uncommercial, but they have sped up the bits that they are doing. Is that what you are saying?

Sarah Healey: They have extended into areas in which we did not expect them to build in.

Q10 Mr Holden: They are extending into areas in which you did not expect them to build in, but I do not quite understand why that means you are still in this situation. Last year you told us that your plans for those 15% of homes that will not be commercially viable would be ready by the end of this year, but now you are telling us that it is going to be the middle to the end of next year. When can we expect your plans to come forward on this? Is it going to slip again? When we have you here next year, are you going to be telling us that it will be the year after?

Sarah Healey: We said we would set out our plans to build for the 5%, not the 15%. We published a document last week with our latest update on the timetable we expect to deliver, setting that out as we have previously. You can see both what our plans are and, indeed, where they change over time. The level of change in the commercial operators and in the market this year has been pretty unprecedented. Therefore, we do not expect in future to have to replan to the degree that we have in the past 12 months.

Susannah Storey: The whole focus of our programme, exactly to your point, is to focus on the hardest to reach. As Sarah says, it is a good news story that the market has decided to go further. This year, for example, Openreach has said that it will build out to 3 million rural prems. We want to ensure that every pound we spend is only where the market will not go. Over the course of this year, we have been surveying the market, working with operators and understanding their plans in each area. We are really



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keen to be as transparent as possible, which is why in the latest update that you are referring to we have set out a series of plans across our first phases. We want to be very clear with the market.

Q11 Mr Holden: I understand that you only want to go where the market does not want to go. You told us last year that you would have plans in place by this time this year. Now you are telling us that it is going to be August next year. You know where it is going to be commercially unviable in the long term. Why have you not just pressed ahead with those? What is it about your internal departmental processes that means that within a year we have seen a contract slip by at least eight months?

Susannah Storey: We have pressed ahead. Cumbria has now been procured. In the last year, as Sarah was saying, the superfast programme has delivered 80,000 prems. On the gigabit programme, we have been laying strong foundations. We want to make sure that this is a really solid programme that delivers to our targets. As Sarah said in her letter to the Chair, we do believe we are on track to do that.

Q12 Mr Holden: I understand, but Cumbria is 1% of the UK population. What about the other 99%?

Susannah Storey: As we can see from the document, we have laid out the areas that we are starting to procure in. Those procurements will be happening both for the regional areas and for smaller procurements in local areas using our dynamic purchasing system. We are on pace with those. You will continue to see regular updates from us laying out the programme. Paul may want to add more.

Paul Norris: Perhaps I could give the example of Cumbria. For context, as my colleagues have said, there has been a tremendous expansion in the private sector footprint in the last six months. The BT Openreach expansion was announced in May. The details were then forthcoming at the premises level in July. CityFibre, for example, only raised its most recent £1.25 billion in September. There is a plethora of so-called alternative networks that have raised in recent months. The context here is this tremendous increase in the private sector commercial footprint.

Let us give you some detail to help you, I hope, to understand. In Cumbria, which is the first of our so-called regional procurement types, we have been in pre-procurement market discussions with suppliers for some months. As we entered the summer, in Cumbria we modelled our intervention—Cumbria is relatively greenfield, as you would expect from a very rural district—on 66,000 premises. We went through those rounds of discussions with suppliers and local bodies, and we launched Cumbria a week ago. The procurement size is 61,000 premises. It has been really important for us to ensure that we do not subsidise premises where the commercial market is going to build.

To give you another example, Cambridgeshire is also in that first batch.

Chair: I refer people to page 4 of the autumn update document, which



goes through these numbers.

Paul Norris: In the autumn delivery update, you will see that we are now anticipating that our intervention in Cambridgeshire will cover around 40,000 premises. As we modelled that, even in the middle of the summer, the potential procurement size was 98,000 premises. You have a contrast here. Cambridgeshire has many operators, not just Openreach. Others such as County Broadband and CityFibre are very active. As a result of this surge in private sector activity, we have necessarily adapted our intervention area to ensure that we are not wasting taxpayers' money.

Q13 **Mr Holden:** I understand that. I can understand the 66,000 versus the 61,000 in Cumbria. The bottom tens of thousands of that will probably never be commercial. Why have you not just pressed ahead with some of the plans for these very hard-to-reach places? Knowing that there will be perhaps a change or an uptick in the market, as Ms Healey suggested, why have you not pressed ahead with the plans for the hardest to reach, then? From this Committee last year, I believe that was your original idea. You then switched to a slightly different one, and now it feels like you are almost going back to the start.

Susannah Storey: We are absolutely not complacent. Having gone through the last 18 months of Covid, everybody feels the need for digital infrastructure. We are trying to ensure that we have a range of interventions in this programme, so that we are clear with the market about where we are going to subsidise. The market is going further and faster than we thought. There are vouchers available for homes and businesses, as Sarah said, when they need them.

In terms of the very hard to reach, we have consulted on that. Nothing is ruled out. As you say, there are probably around 134,000 premises that will always be extremely expensive. What we will do there is see what the different options are. It may be that, in the end, there is a wireless option. Some people think that satellites could work. We need to make sure that we can deliver this outside-in approach, and we have not changed on that. The whole of the gigabit infrastructure programme that Paul is responsible for is absolutely focused on that approach of outside-in. We are also not going to leave behind those very hard to reach.

Sarah Healey: It might be worth me stepping in there to clarify. I did not know quite which ones you meant by "hard to reach". Based on previous analysis, we assumed that there would be 20% that were uncommercial. That is where we started our planning. Exactly where those are has changed over time as a result of the commercial operators changing—

Q14 **Mr Holden:** The 20% has not changed, has it? It is whether it is 20% that has changed.

Sarah Healey: Yes. Of that 20%, some will have sub-superfast speeds. In fact, quite a lot of them will have sub-superfast. Only 3% of the country has sub-superfast speeds overall, but a lot of those will be in that 20% that



is uncommercial for gigabit build. As much as we can, we are focusing where we make our interventions on those areas that currently have sub-superfast speeds. We continue to do that. We said we would do that in the future telecoms infrastructure review back in 2018, and we continue with that approach.

There is then, as Susannah sets out, a narrow slice of properties that we call the hardest to reach, which are the ones where the fibre-based approach is unlikely to work. That is probably around 0.3% of properties. On that one, we launched a consultation to set out what kinds of approaches might be used in the future in order to ensure they can receive an improved broadband connection, just so we are all clear on the different categories.

Q15 Mr Holden: I understand the situation you are in. It just seems to me that everything in this area is drifting. When you know there are properties that will definitely be commercially unviable and you have this outside-in approach, I just do not understand why these contracts have not been signed. Can you give us a guarantee here today, Ms Healey? Last year you said it would be Q4 2021. Are we looking at the back end of Q2 2023?

Sarah Healey: We set out the timetable approach in here. This is our latest projection of when we will be procuring those different areas.

Q16 Mr Holden: There is no guarantee, but this is the latest projection. One of the things that the Committee has been looking at—I would just like you to give us a quick update on this, really—is that the numbers seem to be rapidly moving in terms of gigabit availability. I am just looking at the Ofcom figures from May this year, saying that gigabit availability nationwide was 40%, up from 27% in September 2020. In your latest update, you are now saying that is 57%. These are very rapid rises. What is changing in the figures? Are you weakening what you mean by “gigabit availability”?

Sarah Healey: No. I will hand over to Imran to expand on that.

Imran Shafi: The current way in which gigabit-capable devices are being provided to customers is either through the fibre networks or through Virgin upgrading its cable network to gigabit-capable speeds. A lot of the very quick early rises are largely through the Virgin upgrades, which do not require a lot of new infrastructure; it is more of a software upgrade. That is what has driven a lot of the early upgrades. Underneath that, there will be the ongoing increase in fibre build as well. It is those two things together pushing at the same time.

Susannah Storey: It is also genuinely the case—BT has put out results today where it has updated on Openreach’s progress—that the market is making drastic progress on the ground. They are at 6 million prems. There is a lot of build happening, which is really great to see.

Sarah Healey: We expect it to go up again into the new year. We expect those rises to continue. It is the case that when we spoke to you last year



it was at about 35% and now it is at 58%, and we expect it to go up again quite rapidly into the new year.

Q17 Mr Holden: It is obviously good news that the commercial sector seems to be acting at speed, whereas the Department cannot seem to get its plans for the final bit of roll-out and the contracts together. That is good news, I suppose.

The difference in speeds is one of the concerns that many of my constituents have, especially when there are multiple adults or families in a household, when they are in a more rural area where it is difficult to access different services, or when they want to stream multiple things, work from home or do schoolwork from home, in some of the difficult circumstances that we have seen continuing. In the Ofcom figures from May, between 30 megabits a second and 300 megabits a second availability is a very broad definition.

Do you have any thoughts on what you are going to do? A gigabit is 1,000 megabits a second, but the capability between 30 and 300 is quite different. I was just wondering whether you have any thoughts on this. Some areas in those harder-to-reach patches are going to be the places that your Department is targeting with public money. Is that target going to be always for gigabit? Have you looked at some of these perhaps more middle options here in terms of, say, 300 megabits a second?

Sarah Healey: It is probably worth saying a few things about what you can do at those different speeds. It is the case that 30 megabits a second will enable streaming to happen simultaneously by several people in a household.

Mr Holden: Yes, if it is consistent.

Sarah Healey: That is why we are so worried about the sub-superfast areas. They are the ones that we really want to prioritise. The target is for 85% gigabit-capable coverage by 2025. We are not looking to water that down to be under gigabit-capable at all. When it comes to that 0.3%, there is a different range of technologies. As I say, we are consulting on which ones might be the best ones to use. Imran, I do not know if you want to say anything further about that.

Imran Shafi: You are completely right: that is a large range. As demands on the network increase, the requirement on speeds might increase. I would add that reliability is just as important as speed for a lot of consumers. The copper network that currently exists, on which a lot of the superfast is built, is less reliable than fibre. One of the benefits of fibre is reliability as well as speed. For instance, in my block of flats there is a gigabit-capable network, but I do not take up the gigabit speed because I do not need it, so I take up a cheaper option. But I know it is reliable so I can work from home.

Sarah Healey: The whole purpose of the programme focusing on gigabit, even though not that many people, including Imran, currently need a speed



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of that nature, is to futureproof it so that we do not plan for 300 megabits and then find that in five years' time people need quite a significant amount more than that. We want to make sure that we futureproof that.

The market is thinking in exactly the same way. We spoke earlier about the upgrade to Virgin cables, which is being done automatically. They have also set out an intention to properly futureproof that by replacing it over time.

Q18 Mr Holden: I know the entire UK system has been massively helped by the fact that, back in the day, Virgin Media put all this stuff in the ground. It was not ever designed for broadband; it was designed for TV.

Sarah Healey: It was not even called Virgin Media at the time.

Q19 Mr Holden: No, indeed. To go back to these households, I am worried about this. One in 300 households, the 0.3%, are going to be very difficult to reach, and we are going to have to look at novel and different approaches for those. Your target is for 85%, which is 255 out of 300. I am worried about the 44 out of 300 households, which is 14.7% of them. You do not have a target for gigabit broadband for them. They are in large parts of the country, especially those that may need to be levelled up, but also in London—there is patchy coverage on the outskirts of London—and particularly in constituencies such as mine. They are the people I am worried about.

I looked at your latest letter and the mention of the 100% again. You mention that by 2030 you want the roll-out to get as close to 100% as possible. I am just worried that a large chunk of the population—the 44 out of 300 households—is being forgotten about. They are the people who you are meant to have come out with plans for by Q4 this year, as you told us last year. Now it is looking like May next year. What kind of guarantee can you give to that portion of the population—not the ones who are impossible to reach, the 0.3%, but that 14.7%—that we are going to be delivering for them?

Sarah Healey: As you know, our target is to go to 85% and beyond if we can. We will go as fast as we can beyond that 85%, if it is possible to do so. As you say, in my letter I state that our internal planning suggests that we will be looking at 2030 to reach full gigabit coverage for the country. We will bring that forward as much as we can. As you say, it does not include the 0.3% hard to reach, but that is our long-range forecast, because we recognise the importance of focusing on that 14.7% of customers who do not have gigabit. Quite a lot of those will have access to superfast. Because we are focusing on those with sub-superfast speeds in all our work and trying to go there first, we hope that few people will be having to live with sub-superfast speeds for a long time.

Q20 Mr Holden: One of the things that concerns us is that we feel like we keep getting pushed back on the people who are hardest to reach. I have a lot of those people in my constituency who it is really affecting, particularly in semi-rural areas. The Department constantly references the fact that the



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Government have committed £5 billion of funding for this 20%, but there is only £1.2 billion in the Budget. Where is 75% of that funding? Are they waiting for your plan, which is delayed?

Sarah Healey: No. If we were able to go beyond the 85% by 2025, then we would have access to funding to do that. The £1.2 billion will meet the 5% of the 20% that we are aiming to do by 2025.

Q21 **Mr Holden:** It is the case that until you get this plan in place, 75% of the funding is not going to be made available to you.

Sarah Healey: We have a plan in place, which we have set out in this update.

Q22 **Mr Holden:** With respect, it is not really a plan if the contracts are not there and they have not been dealt with. You told us in Q4 last year that you were going to be procuring in Q4 this year. Now you are telling us that it is next year. That money is not available. It is not in the Budget for you, is it?

Susannah Storey: The spending review confirmed the £1.2 billion, which is a multi-year settlement. That is really great for us, because we want to make sure that we can let contracts with certainty.

Q23 **Mr Holden:** It is not the £5 billion, is it?

Susannah Storey: The £5 billion is still available, if we go through the £1.2 billion.

Mr Holden: Yes, exactly.

Susannah Storey: Looking at this update that we have just published, I do not know if you did this, but the first thing I did was re-add up all the numbers in terms of where it gets to. It gets us to 2.5 million prems. We are trying to make sure that each procurement adheres to our principles, because we are really keen to ensure that we serve the hardest to reach and protect public money.

The process that Paul's team is going through is all the normal pre-procurement stages, consistent with public procurement rules and all the Cabinet Office guidance. Then, in this transparent report, we have set out the order of those contracts. The £1.2 billion gets us through those first three tranches. As soon as we have done that, we have spoken to the Treasury and it have re-announced the £5 billion. The good thing, we feel, is that this is a certain programme with the funding available. That is not always the case.

Q24 **Mr Holden:** When does the spending review period that you have just been signed up to end?

Susannah Storey: It is for the next four years.

Q25 **Mr Holden:** You have £1.2 billion in that period. My understanding was that this £5 billion was for this spending review period, but you have said



that you are not going to hit that.

Sarah Healey: The £1.2 billion is to cover the premises that we need to meet for the target of 85% coverage by 2025. As soon as we are going beyond that, the funding will be made available for us to do so.

Q26 **Mr Holden:** Okay, but it is not in the spending review.

Sarah Healey: It would be, if we went beyond the 85% target. As you know, we are trying to go beyond it as much as we can.

Chair: It is not new money.

Mr Holden: It is not there yet.

Susannah Storey: It is for the 20%.

Q27 **Mr Holden:** I understand. I have a couple of very quick final questions. I was very interested in the autumn update, mainly because it referred to County Durham.

Sarah Healey: It was not deliberate.

The Chair: You are easily satisfied.

Mr Holden: I am sure that is true, Ms Healey. Point 5 of the key changes says, "We are planning to combine regional supplier procurement areas in Northumberland and Durham, and have found two areas where we believe local supplier procurements will offer bidding opportunities to more telecoms providers". Could you possibly update us a little bit more on that? It is of great interest to me and my constituents.

Sarah Healey: I will hand over to Paul on this.

Paul Norris: Shall I take that one? I am glad you are happy to see Durham as one of our first three procurements. We currently have two procurement types: local and regional. The locals are designed to harness small to medium-sized suppliers. The regionals are designed to harness the capacity from medium to large-scale suppliers.

We had originally planned in the summer for Durham, Teesside and Northumberland to be two separate regional lots. As we processed the data from the, by now, 38 suppliers in our database and processed those expanded footprints, it became clear that we needed to combine two regional lots into one to ensure that it has the scale to be viable.

To some extent, this goes back to one of your previous questions. On the procurement side of what we do, we need scale and density so that the economics work for suppliers and for the taxpayer. We now have one regional lot: Durham and Northumberland combined. As you say, we have carved out two local contracts, and we are in discussions with some of the small to medium-sized suppliers to harness their capability, we hope, at greater pace in those particular areas.



I should perhaps also say that vouchers are very active in your constituency. The voucher scheme—it has scaled fourfold over the last 12 months, since we were last in front of the Committee—is there for those citizens who actively want improved broadband service to act together as a community, and to organise with us and with suppliers, in order for pockets of voucher community coverage to be provided at pace. That is underway in your constituency and will continue to complement the procurements, as we get them up and running.

Q28 Chair: I have one quick question for Mr Shafi about the Virgin upgrades. What percentage of that jump from 40% in May, on the figures we had before, to the 57% in the autumn update is as a result of Virgin's upgrade?

Imran Shafi: Quite a lot of it will be.

The Chair: Could you write to us with that?

Imran Shafi: I will have to check the figures and then write to you, yes.

Q29 Sir Geoffrey Clifton-Brown: Good morning, Ms Healey. I am sorry that I was not here at the beginning—I had to pop out for another appointment. If you look at the constituency figures, my constituency has the most people who are unable to receive over 10, let alone over 30. It is worse than Durham, I might say. Nowadays, most people would admit that, if you cannot receive 30, you do not have much of a broadband service. Given that my constituency has one of the highest ratios of homeworking in any constituency, this is a real economic limiter for us. If outside-in is to mean anything, what hope can I give to those constituents this morning, both the under-30 and the under-10, as to when they might receive any sort of a reasonable broadband service?

Sarah Healey: It is worth having a look at what we have said about where we will be procuring. Where we go ahead with those procurements, if they cover your constituency area, that will be fully set out. If they are eligible for vouchers or they might be eligible for vouchers, they can check online. In fact, I did this the other day to make sure the system worked, and it did. It was very clear about how you could club together for vouchers in areas where your constituents are finding it particularly difficult. Some of them may also be covered by ongoing superfast contracts. Paul might know more of the actual specific detail in the Cotswolds.

Paul Norris: Building on Sarah's comments, voucher projects are active in your constituency with both Openreach and Gigaclear. Gigaclear now has quite a widespread footprint in Gloucestershire. The voucher projects that are active currently cover some 1,000 premises. The competitive market is dynamic in this area. There is still some superfast activity. It is Hereford and Gloucestershire combined for those contracts.

The gap is closing. I understand the frustration of your constituents. If we look nationwide across the UK at the superfast proportion of the country, 97% has improved by half a percentage point in the last year. In your constituency, that improvement has been closer to 1.5%. The way our



programmes are focusing on the neediest broadband customers is working. We are very focused on Gloucestershire, as we are on all rural parts of the UK. It is sequenced somewhat later in our procurement timetable, but that is because superfast is active. The new procurements will need to layer on to the success of that superfast programme.

Q30 Sir Geoffrey Clifton-Brown: Ms Healey, can we get a bit of a guarantee that the third that are going to be delivered through the Department's new gigabit infrastructure subsidy procurements are not just going to be fibre to the cabinet? Fibre to the cabinet will still cause us a lot of problems in the Cotswolds, because some of my constituents live a mile or more from the cabinet, so they are not necessarily going to be improved by fibre to the cabinet.

Sarah Healey: Just to be clear, where we are delivering under superfast contracts, we are delivering gigabit-capable connections. The target is for gigabit-capable connections. We are not focusing on superfast speeds. We will ensure, as Imran mentioned earlier, that we have both fast and reliable broadband in the future.

Q31 Nick Smith: Good morning, colleagues. I have a question to Mr Norris mostly about geographical variation. I am going to be picking up some of the points made earlier by colleagues. In Blaenau Gwent, in the south Wales valleys, we have good superfast broadband, which was helped by the roll-out organised by the Welsh Government in the 2010s. All of that was great. However, in gigabit coverage it is really poor. If you look at the membership of this Committee, Blaenau Gwent has the lowest coverage at 3%. Other colleagues have up to 80% coverage.

The Welsh Government chose to prioritise Blaenau Gwent because we are an area of historical economic deprivation. It made a big difference. We got a leg up. It brought businesses to my borough. But now we are being left behind by this programme. There we are at the top of the valleys in south Wales. Why has this initiative failed for us so far and what can you do about it, please?

Paul Norris: We recognise that profile. It is true for the whole of Wales that superfast coverage, the 30 megabits, is broadly in line with or a touch below the UK average, but gigabit coverage lags behind. The reason, in fact, is that historical accident in the cable industry. The Virgin network just did not build, for the most part, in Wales.

What are we doing for Wales? First of all, Superfast Cymru, with the Welsh Government, continues to deliver. This is focused on the broadband poor—the sub-30s. There are another 40,000 premises still to come through those very important contracts between now and roughly this time next year. It is important that we get that delivery for the superfast element.

Next, the voucher schemes are active and very popular in Wales. We are also grateful to the Welsh Government for providing a top-up in addition to the £1,500 per home from DCMS. We have also been very active with our public sector hubs programme, which we have not discussed thus far



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in this hearing. It has reached some 600 public buildings in Wales. We are proud that by now we have fibred every last rural school in Wales.

For the new procurements, which will need to layer on top of Superfast Cymru, we completed what is called the open market review—the initial data-gathering stages. That was completed just a few weeks ago. We are working very closely with the Welsh Government on that. That will move towards what is called the public review in the first half of 2022. Working with our colleagues in the Welsh Government, we expect to design those intervention areas for procurements in Wales through the first half. I hope that has gone some way to answer your question.

Q32 Nick Smith: Mr Norris, that is a very poor answer. It was pretty thin gruel. You have to do much better than that. You need to get contracts signed; you need to work faster than that. Your outside-in strategy is clearly failing in south Wales. My communities, the areas of Tredegar, Ebbw Vale, Brynmawr, Blaina and Abertillery, have been let down by your strategy. You have to move up a gear, and I hope you will for the future. It seems to me that your levelling-up agenda is failing badly in south Wales.

Paul Norris: We are absolutely moving at pace. There is a common theme here for the rest of the UK. There is vibrant commercial activity in Wales. Again, just in recent weeks, Broadway Partners raised £150 million, a big chunk of which is south Wales. Ogi is another new entrant that is very active in your area. It is important that we sequence our procurements to fit with superfast, which is still delivering, and to reflect the commercial build so that we do not apply our subsidy to areas or premises that would otherwise be built without taxpayers' money.

Q33 Nick Smith: Big picture, the fact is that broadly across the cities in the UK things are going well, but the small towns, particularly in areas such as mine, are suffering and being left behind. The facts are clear. In some places represented around this table there is 80% gigabit coverage. In Blaenau Gwent it is barely 3%. Can you separately get back to me, please, and work with Ofcom in Wales to come up with a better plan that delivers for the valleys? It is really important that that happens. I would be very grateful if you could go offline and you could come back to me, please, with something that is more promising than this. So far, I have been deeply disappointed with the answers I have received.

Sarah Healey: I am very happy to do that, and with the Welsh Government, who we work with on delivering those contracts.

Q34 Nick Smith: I have one further question, which is totally different from the area we have covered. Will the OneWeb initiative, which was a \$500 million initiative of the Government last year, mean that we will have satellite broadband in rural areas soon?

Sarah Healey: It might be worth turning to Imran on that one.

Imran Shafi: As Sarah mentioned earlier, we have launched a consultation on the very hard to reach premises—the 0.3% where gigabit



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is going to be unlikely. As part of that, we have been engaging with operators on potential solutions, and satellite is definitely one of the solutions that might be viable. It is not just OneWeb. There is also SpaceX's Starlink, which is progressing well.

Q35 Nick Smith: The Government have spent \$500 million of our money on OneWeb.

Imran Shafi: Yes, we have.

Nick Smith: So it would be good to see some return for UK citizens.

Imran Shafi: We are definitely engaging with them. OneWeb has entered into deals with some of the operators in the UK—BT, for instance—about future working relationships. The technology is moving very fast at the moment. These technologies are improving year on year. They are currently expensive, but we are working with them to see whether we can bring the costs down and whether this is a solution for some of those areas that, as you say, have had poor internet for a very long time. It might be a more creative and faster solution than some of the other options available.

Chair: "Might" is the word there. It is a lot of money.

Q36 Nick Smith: Will you update us, please? Could we have some more information on that as well, please?

Imran Shafi: Yes, I am very happy to.

Chair: It is part of the outcomes required for this programme. It is really important that OneWeb works, given that investment of money. A lot of fingers are crossed across Whitehall and in Government.

Q37 Shaun Bailey: In terms of the regional supplier procurements, I note that the Black Country and Birmingham are yet to be allotted anything. In the report you have provided, we are lot 35. Could you just give an update on where we are in terms of the regional supplier procurements for Birmingham and the Black Country?

Paul Norris: Yes, Birmingham, Greater London, Greater Manchester, Newcastle and Liverpool are right at the back end because, as urban areas, the expectation is that the vast majority will be covered commercially. There is also a safety valve in the mobile networks for both 4G and 5G coverage. Certainly, 4G is now more or less universal in urban areas. 5G has been rolled out to a large extent and can provide well in excess of that 30-megabit threshold.

We need to sequence. We need to set priorities. We do that by sequencing rural areas with the greatest proportion of sub-30 speeds relatively early in our procurement plan. That is why Birmingham is towards the back end. There have been vouchers active in the Birmingham area. We will continue—



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Q38 **Shaun Bailey:** Can I just come back? The Black Country is not Birmingham. What about the Black Country? I represent the Black Country, not Birmingham. What is going on in the Black Country? The Black Country is the four Black Country boroughs: Walsall, Sandwell, Dudley and Wolverhampton. What is going on within those four boroughs? Birmingham is great, but I do not represent Birmingham.

Paul Norris: We would regionally class that as predominantly urban in our classification.

Q39 **Shaun Bailey:** Can I just ask why the Black Country has been put in with Birmingham? I am conscious that Birmingham itself, as I say, is a city of 1.5 million or 2 million people. Yes, I can see the urban point there. Can I ask, Mr Norris, whether you have been to the Black Country?

Paul Norris: No, I have not had that pleasure.

Chair: That is what we were just all thinking.

Q40 **Shaun Bailey:** Yes. Perhaps the definition of urban is what is causing the issue. There are parts of my constituency, my borough, that are semi-rural and have some of the issues that Mr Holden and others have alluded to. I am trying to understand this rationale of why Birmingham and the Black Country have been lumped together. Is it literally the case that we have just seen them close together on a map, or are there other factors? I saw you shake your head there, Ms Storey.

Susannah Storey: From our perspective, we absolutely appreciate why everybody wants their constituents to have fast speeds as soon as possible, and so do we. The principles that we apply are consistent right across the country. We look at those areas with the hardest to reach prems and then, as Paul was saying, we need to make sure that there will be sufficient take-up of the contracts. We look across those principles. It is not the case that we are saying, "That is next to something else on the map." We look at the area, apply our core principles and work with the market. I suspect it is because of that.

Paul Norris: I would be very happy to visit.

Shaun Bailey: I was literally about to extend that invitation.

Sarah Healey: We will all come. We can have a look at the Sandwell Aquatics Centre at the same time. If you want specifics on what is happening in your area, we are really happy to provide that in follow-up to this Committee.

Q41 **Shaun Bailey:** The biggest issue that I hear about the programme is community engagement. I have a bit of an issue in Wednesbury at the moment around two specific areas where work is about to commence and the community very much feel it has been plonked on them. How are you working with the industry to ensure that communication goes beyond just notices on poles? My case bag has been overflowing with this, particularly



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in the Wednesbury area. I am just anxious to understand how you are setting those standards on community engagement.

Sarah Healey: I will start and then hand over to colleagues. We were just reflecting a little bit on this in preparation for this Committee. We need to be providing the best possible information to individuals about when their own services are likely to change and not relying, for instance, on stuff through letterboxes and so on, so they can check in advance to see when there are likely to be changes in their coverage. We can see that we need to ensure that is happening all the way along, in the industry roll-out but also in our own. That is probably it.

Q42 **Chair:** Mr Bailey, you have got a visit from the top team at DCMS to your constituency. You are already the envy of this Committee. You have had your share for today. Thank you very much for that. It does remind us all that lines and pictures on maps are not the same as knowing a place on the ground. We will touch on that local authority role in a moment.

I want to touch on wayleaves. We have had some very good evidence from, among others, internet service providers Openreach and CityFibre about this challenging issue. The Telecommunications Infrastructure (Leasehold Property) Act has gone through, of course, but you are looking at tackling this issue. You did respond to our recommendation on that and you talked about working hard to dismantle barriers to delivery. You quote the Act and the responses to that as the way you are going to try to deal with that. Where have you got with dealing with this issue on wayleaves? When are we going to see progress on the ground?

Sarah Healey: We are very happy to go through that.

Imran Shafi: The Queen's Speech announced that we are going to be bringing forward the Product Security and Telecommunications Infrastructure Bill in this Session. Within that we will be proposing reforms to the electronic communications code, which is where the wayleaves issue is addressed. We reformed the code in 2017. It has made a big difference, but we think we can probably go a little bit further. There are a few areas where we could go further, for instance by making negotiations between operators and site providers smoother. There has been a bit of friction on some of those.

Q43 **Chair:** It is easy to say "making it smoother", but how are you going to do that? What are you going to be proposing?

Imran Shafi: We are looking at what obligations companies have to have when they are engaging with site providers and how we make sure that companies have followed those obligations.

Q44 **Chair:** The onus is on the companies doing the installing and not the landlords at this point.

Imran Shafi: For those negotiations, yes. We are looking at how you can upgrade historical rights and rights that have expired.



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Q45 **Chair:** Just to be clear, that is where you have copper in the building and the telecoms company has access to the copper but cannot use that for gigabit.

Imran Shafi: Yes, exactly.

The Chair: You are looking at smoothing that.

Imran Shafi: That is something that Openreach has pressed us on. We are looking at how you can renew expired agreements. When agreements expire, currently they are under the Landlord and Tenant Act. They are a bit stuck, so we are looking at how we can free that up. We are also looking at how we can engage with non-responsive landlords. TILPA worked for flats, so we are looking at how we can reform that for the rest of the population. We have been consulting on that this year. We had 1,000 responses. We are crunching through them.

Q46 **Chair:** Is there a timescale?

Imran Shafi: As soon as parliamentary time allows, we will be able to bring forward the Bill.

Q47 **Chair:** I will need to look at some of my friends on the Government side to see whether we can do it a bit more quickly, because "as soon as parliamentary time allows" is your get-out clause. I do not blame you for it. Are you pushing hard? You are not going to meet your targets unless this is resolved.

Sarah Healey: The market has been massively expanding its plans, but we want to reduce the barriers to it doing so. It is worth saying that DCMS has a substantial chunk of the legislative programme going forward on a whole range of issues. We have probably brought forward more telecoms legislation recently than has ever been the case.

Chair: Yes, but that is the past.

Sarah Healey: We are on a roll in telecoms legislation, and we are pushing really hard. It is not just the wayleaves and electronic communications code issues that the Bill picks up. We think there is a whole range of important issues that need to be addressed in it, including on product safety.

Q48 **Chair:** The danger is that you are going to add so much in that you never get this bit resolved. That is one. You do not have a date yet for that legislation.

Sarah Healey: It is not entirely up to us.

Q49 **Chair:** I know it is not entirely up to you, but you do not have a date. Once you have got that legislation, how long will it take? Will it be instant? Will it implement instantly? How long will it take to roll through the system, Mr Shafi?



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Imran Shafi: I would need to get back to you on exactly what will be achieved through primary versus secondary legislation.

Q50 **Chair:** This will be amending other Acts of Parliament in relation to leasehold, land ownership and all sorts of things. It is going to be very complex to weave that through the legislative and legal frameworks.

Imran Shafi: Exactly, and with TILPA, for instance, we now have Royal Assent, but we have to lay the secondary regs on that, which we are hoping to do soon. That is another example where we have the primary legislation passed, and we will be looking to lay the regulations for that by the spring.

Sarah Healey: It will not only be complex; it will also be controversial, because it affects the rights that different players in the market have. We are determined that this will make it easier to break down those barriers to broadband access.

Q51 **Chair:** Some of these are rights, but they are also barriers. I have a lot of multiple dwelling units in my constituency. While I am good on the figures, using the recent Ofcom figures as our baseline at the moment, we are going to hit a threshold. Openreach recognises that there are about 1.5 million flats that it cannot get through to. We have been doing a bit of work locally so that they can get it to the door, but there is the cost to the freeholder that they are charging and the residents of the property do not even know that this extra cost is being laid. It stops them being competitive and they go somewhere else.

It seems to me that there are freeholders, often offshore—and, indeed, another Government Department, which probably does not even realise I am raising that—making these decisions and charging these legal fees. They are making money. It is not benefiting the residents. It is not benefiting this targeted roll-out by Government. There is somebody making money, to no benefit to anyone except the lawyers and the freeholder, and this is what you are trying to stop.

Sarah Healey: Yes.

Chair: Do you think you will be able to do that?

Sarah Healey: That is what the changes to both TILPA and to the electronic communications code are targeted to do.

Q52 **Chair:** Can you just tell us, honestly then, what barriers you are hitting on that, because, as you say, there are vested interests and some people making money?

Sarah Healey: No, I am just saying that, as it goes through Parliament, I am sure there will be scrutiny of the legislation.

Q53 **Chair:** Do you think Whitehall is going to have the clout to get through those vested interests and make sure that we are going to deliver on this for residents?



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Sarah Healey: We have set out in the consultation what our intention is there.

Chair: There are a lot of people who will give power to your elbow on making sure people are not profiting from stopping residents getting superfast broadband.

Q54 **Mr Holden:** I have had a very similar situation to the Chair, although obviously from a different point of view as there are more flats in her situation. Wayleaves are in a slightly different situation in more rural parts of my constituency. My understanding is that the consultation on the electronic communications code closed in March, but you have still not published your response to that consultation. When is that going to happen? Until we know that, nothing else will happen in the House of Commons.

Sarah Healey: We are working through the responses to the consultation, as Imran set out, and aiming to respond as soon as we can.

Imran Shafi: In the coming weeks, just before we introduce legislation.

Q55 **Mr Holden:** When do you think we will get a response to that, because we need that before legislation? It has been eight months since that was closed. Do you have a timescale?

Imran Shafi: Weeks.

Q56 **Mr Holden:** Before Christmas then?

Sarah Healey: It is only weeks away, unfortunately.

Mr Holden: It is only weeks away—very good.

Susannah Storey: My son told me today it is 50 days.

Chair: There are moments in the House when we have controversy and division. On this issue, you might find there is a great strong will to get this resolved, as you can pick up from the cross-party nature of our questioning.

Q57 **Kate Osamor:** Sarah, how do you have constructive engagement with local authorities to ensure that they use their powers and assets to help facilitate the provision of superfast broadband?

Sarah Healey: We discussed at the last hearing the fact that we have shifted our approach on contracting here away from local authorities owning contracts to them being owned in DCMS—in BDUK. I know there were some concerns from the Committee about whether that would lead to the right level of engagement with local authorities and whether local authorities would be able to exert the right degree of leverage over their particular community concerns as a result of that shift. Broadly, what we found over the course of the last year is that local authorities are very



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supported of this approach and can see the benefits in terms of speed of roll-out for their local areas.

There were also concerns raised by the Committee about the capacity that local authorities would have to support this. I have two reflections on that. First, we have not seen any evidence that they have been pulling back on capacity here, because they see the benefits to economic growth and to the communities that will get access to better broadband. Also, their recent spending review settlement gives them a solid foundation to support that capacity going into the future. We have regular engagement with local authorities. We want local authorities to ensure that their local populations are aware of what is happening on roll-out and we work very constructively with them.

Q58 **Kate Osamor:** I have a case in my constituency where, for one of my constituents, it took two years to get broadband installed and that was because there was a fight, I would say, between the property developer and the council, saying it was not either one's responsibility. She was caught in the middle of that. Do you think that is sufficient? Are you getting any feedback from councils that are not sure if they have the assets or the powers? From what you are saying, they should know and they should be clear, but I have a constituent who waited two years.

Sarah Healey: Without knowing the details of that case, I could not comment on what the particular barriers were there. It could have been an issue to do with the sorts of things that we were talking about on barriers to do with access to properties. It could be to do with the fact that the broadband provider was not living up to its responsibilities. I do not know what it was in that particular instance. It sounds to me like it might be a little bit more of a regulatory issue than an issue to do with the way that roll-out is being planned, but I do not know whether anyone else wants to comment.

Paul Norris: It is hard to comment.

Sarah Healey: I am very happy to advise you and take it offline.

Q59 **Kate Osamor:** Yes, I can take it offline. There is definitely confusion about accountability. Some companies will come and look at the property, and they will say, "We cannot provide broadband here." There are other companies, and I will refer to Virgin. I have another constituent. I am a London MP, but parts of my constituency are very rural and hard to reach. I have a constituent who lives in Pickett's Lock Lane, which is near the Lee Valley, and unfortunately he cannot get fibre optic broadband at all. Virgin concluded that it was not commercially viable for it. It encouraged him to do what I would call a survey and ask other residents to sign up to it. So he has not even got broadband.

I understand that you have a lot of focus on the private sector. They are doing what they are doing, but what are you doing to help hard to reach areas, especially hard to reach areas in London? "Urban", as my colleague



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Shaun already spoke about, is a wide word. Urban settings have rural settings within them, so it is not one size fits all. The programme that you have clearly is not working and those people in areas like Edmonton are not able to even get broadband.

Sarah Healey: We spoke earlier about our expectation that most urban areas, even those with the sorts of situations you are talking about, where the geographical nature of it is slightly different within those urban areas, will end up being commercially viable, so they will be covered by commercial operators over the course of the next few years when those plans are being really radically accelerated.

It is possible that, towards the end of the programme, it will be clear that not all of them have been commercially viable, and that is where we come in. The whole of the purpose of our programme is to focus on areas that are not commercially viable. There will be some in urban areas that will end up like that, which is where we would have to intervene. We will have to consider the best way of doing that, because they are not big regional contracts in the same way as the ones we are doing at the moment in more classically rural areas.

Paul Norris: Again, I cannot comment on an individual case. I would be happy to take that offline. We know we will need to mop up some pockets in these predominantly urban classifications as we map them. We recognise the issue. Vouchers, again, have been a partial solution in your constituency. We will continue to monitor eligibility, again to mop up these sorts of cases earlier if we can.

Sarah Healey: It is also worth saying that the roll-out of 5G will benefit some of those urban areas, because it is less specifically premises-based. As those networks are upgraded to 5G, that does give really good speeds for people to be able to use, even though it is not traditionally a broadband access of the type you are talking about for your constituent.

Q60 **Kate Osamor:** The problem my constituents have is that they do not have broadband and most of the homes are made of different types of people. I have some constituents who are disabled, who need a phone for medical reasons. There are others where there are families. Within these two years they have not got broadband and you are saying that you are still working on it. It is not acceptable, because the information you should be getting is not getting through quick enough. You should be aware of this and there should be a plan. What we need to hear today is, "This is what we are going to do today", for those areas that are hard to reach that have been waiting maybe two years-plus for broadband.

Sarah Healey: We are aware of it and we have a plan, which we have been setting out, which is that we are continuing to roll out superfast contracts that will now deliver gigabit. Vouchers are available in areas that are non-commercial and we are focusing on our procurements. At the same time, the commercial sector is rolling out really rapidly to different areas.



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We cannot guarantee to you right now how that specific incidence in your constituency will be covered.

Q61 Sir Geoffrey Clifton-Brown: Ms Healey, so far this hearing has concentrated on the future, which is absolutely right, but just for a minute I want to concentrate on the past and this shift from local authorities to centralised procurement. Are you absolutely sure that all the knowledge and particularly the mapping that went on that laid this broadband has been properly put down somewhere, hopefully digitally?

Sarah Healey: Yes, we are very confident that we have really effective mapping of where broadband is available. We have been working very closely with suppliers on their plans.

Sir Geoffrey Clifton-Brown: It is not just a question of where it is available. It is the actual route, because once the road gets retarmacked you will not be able to see where it has been put.

Sarah Healey: We are very confident that we have all of that information.

Q62 Sir Geoffrey Clifton-Brown: Brilliant. Can I then switch to housing associations? I have a situation in my constituency where, as Mr Norris has already alluded to, Gigaclear has done a lot of good work. It has brought the POT outside in the public road. The properties are owned by a housing association. The housing association was expecting the tenants, many of them on social housing, to pay the cost of bringing in the broadband from the road to the house. That seems to me totally unreasonable. What can be done about that?

Sarah Healey: Again, I do not know about the specifics of that case and why they are saying that. We are very happy to look at it.

Q63 Sir Geoffrey Clifton-Brown: I might write to you about that, if I may, please. Thank you very much. Could I go on to the subject of high-risk vendors, principally Huawei, and ask what effect banning high-risk vendors from the network is having on delay, not only by not allowing 5G, but actually requiring them to take out 4G? Presumably, some of the expertise that would have been put into 5G is now going into taking it out of 4G.

Sarah Healey: Indeed. Alongside our recent Bill on high-risk vendors, we did conduct an impact assessment that set out what would happen as a result of removing Huawei equipment. Imran can go into a bit more detail on that.

Imran Shafi: The estimates that we published, which remain the live estimates today, were that it would cost the industry about £2 billion for the removal of Huawei. There would be a delay in the full fibre roll-out of up to a year, and for 5G by two to three years, because the burdens are heavier on the mobile side rather than the fixed network side. Set against the one-year delay, for instance, on fibre—that was published last November—a lot of the operators have been bringing their deployment forward at the same time. While this has been a headwind for them,



slowing them down, there are lots of factors pushing them into accelerating the roll-out in the other direction.

We are continuing to work really closely with the operators as the Telecommunications (Security) Bill is going through Parliament at the moment. Once it gets Royal Assent, we will be able to issue designation notices. We are going to work very closely with the operators to make sure our understanding remains live as we move from draft legislation into designation and check what the impact is.

Q64 Sir Geoffrey Clifton-Brown: I am sorry; I was not aware of that impact assessment, but I will be now. Did I hear you correctly? Did you say that this is causing a two to three-year delay in the fibre roll-out?

Imran Shafi: In 5G roll-out.

Q65 Sir Geoffrey Clifton-Brown: In the hardest-to-reach properties. Given that 5G is likely to be quite a solution for a number of these properties, this must be very bad news for those, as in my constituency, which I have asked Ms Healey about, in the hardest to reach properties.

Sarah Healey: That is 5G roll-out rather than full fibre.

Sir Geoffrey Clifton-Brown: Yes, I accept that.

Sarah Healey: In terms of full fibre, it was a year's delay that we put into the assessment.

Q66 Sir Geoffrey Clifton-Brown: Given that this is going to impact hard on those harder to reach properties, the number of which in my constituency is much higher than the national average, this must be bad news for those householders.

Susannah Storey: It is worth saying that at the time of the impact assessment that was our best estimate. What Imran is saying is that we have found that the market has gone faster in many places. It is quite hard to say what would have happened absent the changes that we have seen in the market. We still think that overall the market is proceeding at pace and that is why we are also confident about our targets. On 5G, what are we expecting by 2027?

Imran Shafi: EE and BT have announced that they are going to get to 90% of the population for 5G by 2028.

Sir Geoffrey Clifton-Brown: By 2028?

Imran Shafi: Yes, 2028. We are working with them to see what it would take for them to bring that forward. It is also worth saying that, on 4G, we have the shared rural network, which is working to expand 4G out to 95% of the geographic coverage of the UK by 2025.

Q67 Sir Geoffrey Clifton-Brown: I know that is not in the scope of this hearing, but I am going to ask it all the same before I get cut off by the Chair. Will that affect the not-spots for mobile phones? We have some



major roads in this country, including motorways, that have not-spots.

Sarah Healey: That is what the shared rural network is for. The purpose of it is to address not-spots. It is worth saying on Huawei—we are not telling you anything you do not know—that ultimately the Government made a balanced decision about the necessity of taking action on high-risk vendors. As we say, at the time we made these estimates of what the impact will be, both on 5G and on full fibre roll-out. We will have to see exactly what impact it ends up having, just because of those other factors that have accelerated roll-out, but it was a judgment that Ministers took.

Sir Geoffrey Clifton-Brown: Understood.

Q68 **James Wild:** I will continue the regional tour and we will head to Norfolk.

Chair: We should just get a bus for the DCMS team.

James Wild: The figures that I have been given for north-west Norfolk show there is currently 5.1% gigabit availability, which is slightly higher than in Mr Smith's constituency, but not by much. Do you have projections at the constituency level for what gigabit availability will grow to that sits beneath your projection to get to 80%?

Sarah Healey: We have set out when we will be procuring under the gigabit infrastructure subsidies in Norfolk, which is our lot 7, with procurement dates between February and April next year. Some areas of Norfolk that are not currently covered by gigabit will also be subject to industry plans, which are not made public by us, although obviously we are very keen that suppliers make some of that information public—indeed, Openreach makes some of it available.

Q69 **James Wild:** When will there be clarity about which parts of north-west Norfolk will be within lot 7?

Paul Norris: Norfolk is seventh in line because gigabit starts at such a low level and because you are below the nationwide average on superfast. As Sarah has said, that procurement commences in the first quarter of next year. Once we get to contract award, we will be able, working with the local body for that area, to be more specific about exactly which premises are covered in the contract.

Q70 **James Wild:** You have identified 111,000 premises as being uncommercial.

Paul Norris: We have.

James Wild: How many of those are in north-west Norfolk?

Paul Norris: I would have to get back to you on exactly how many.

Q71 **James Wild:** If you could write to the Committee with that information, that would be helpful. If I could just go to your letter, Ms Healey, you talk in there about trying to get to this 950,000 or so premises.

Chair: Just to be clear, this is at the bottom of page 2.



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James Wild: A third come from extensions to existing contracts, a third through vouchers and a third through the regional procurements. If you look at phase 1A, that totals about 200,000 premises. Phase 1B, which includes Norfolk, is about another 450,000, so that is 640,000. You have said you are expecting only 300,000 to come by 2025 through that process. Have I misunderstood something? How does that tally?

Paul Norris: Shall I take that? When we get to contract award, our local and regional contracts work in slightly different ways. Local contracts have an immediate three-year build, so the delivery for local is over three years. For our regional contract type, the first six months is a final very detailed engineering survey on the ground, and then it is followed by a three-year build programme, so the build is phased from contract award over time and the profile of our funding is also phased in a similar way. You can see that there is some contingency built into this 2025 milestone, or the "at least 5%" milestone. It is why we say "at least". As Sarah said earlier, we hope we will be able to exceed that, but that is the 5% that we are absolutely committed that we will reach.

Q72 **James Wild:** So I should not be concerned that the 111,000 premises in lot 7 will not be completed in the timeframe you have set out.

Paul Norris: No, not at all, but the build for those premises will be phased in the contract over a three-year period.

Susannah Storey: What we are trying to do in delivery terms is, in effect, over-programme, so that is why you can see the ranges, but also, as Paul says, we would like to go further than the 5%. On this part of the programme that is why you see more prems.

Sarah Healey: Indeed, we found in some superfast contracts that that was possible and that contracts overdelivered on the amounts that we intended or went faster than we intended. We want to be able to build in that contingency, so that we can be more confident about reaching 85%.

Q73 **James Wild:** The final question from me is on this eight-month gap between procurement starting and commencement of the contract. Have you looked at squeezing that at all? It does seem quite lengthy.

Sarah Healey: We look at squeezing it all the time.

Susannah Storey: It is what I say to Paul every week.

Paul Norris: We would love to be able to squeeze it. There is a balance here. As you would expect, we benefit from Cabinet Office assurance. We follow all the Cabinet Office public procurement best practice. We follow the construction playbook. Broadly, that time for our regional contracts is a period of two months for supplier qualification, and then a period of around five months for the invitation to tender—the very detailed response from suppliers. Suppliers have told us that they need time to price the bids correctly, because they are at some risk from these contracts. Then we



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need the final couple of months at the end for the assessment standstill period and so on, getting us through to contract signatures.

Susannah is on my case on this almost every day and we will streamline wherever we can. It is worth saying that the old superfast contracts typically took a year or more—in one case up to two years. We are clearly seeking to do better than that.

Susannah Storey: We are the foundation layer of this programme and hopefully over time it will start to improve. If there any areas we can squeeze, we will be doing that, because we absolutely take the point. We want to get these things built.

Q74 **Peter Grant:** Ms Healey, I want to come back to the £1.5 billion allocation you mentioned earlier. What is the mechanism by which part of that money finds its way to the devolved Administrations?

Sarah Healey: Paul, you might be better placed to answer that.

Paul Norris: It is a devolved matter. As you know, we work very closely with the Welsh, Northern Ireland and Scottish Governments in this area. We are in very close dialogue currently with the Scottish Government. The way it works is that the Scottish Government will be the contracting body for Scotland, but very heavily supported by DCMS. Data platforms are available with the Scottish team's local knowledge, our commercial contract structure and our overall negotiation position across the UK with suppliers. Then the way the money is transferred is that there will be, as you would expect, milestones and conditions in the contracts. As those are reached through the various gates, there will be a budget transfer from the centre to the Scottish Government to pay for that end delivery.

Q75 **Peter Grant:** The amount of money that is allocated to Scotland is not covered by the Barnett formula. Is there a separate basis that it will be divided up by?

Sarah Healey: No, because it is a UK Government programme.

Q76 **Peter Grant:** Are you able to give an indication just now as to how much of that £1.5 billion might come to Scotland?

Sarah Healey: Scotland will get a share of the £1.2 billion according to what it takes to deliver the premises in Scotland, which in many cases will be quite expensive to deliver.

Q77 **Chair:** Will it be on the Barnett formula?

Sarah Healey: No, because it is a UK Government programme and some premises in Scotland will be more expensive because they are more rural. We certainly would not want to leave any premises in Scotland out.

Q78 **Chair:** No, I am just making it clear, because there is a big difference if it is the Barnett formula or actually funded. That is why I was asking the question, as Mr Grant was, just to re-emphasise it.



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Lastly on the issue of broadband, you have done the autumn update with some tables in there. We have talked about the leap in figures; some of that can converge and we are waiting for that information. It would be very helpful if you could update us regularly—we could discuss whether monthly or quarterly is more realistic—on what has actually happened on the ground, which will be static but growing one would hope, what is allocated, so the way you know that that really is happening next, and what the next steps planned are.

We noticed how Essex has dropped down because, as you highlight in your letter, the number of premises turned out to be much fewer than expected. These are reasonable adjustments, but it is helpful for everybody to know what is happening in their area, whether they are residents, MPs, councils, businesses or whatever. We could take offline the finer detail of how we do that, but could you commit to the general principle of updates, so it is not just when you choose, but at a regular point?

Sarah Healey: We have been updating quarterly in these updates.

Q79 **Chair:** It is the tables and what is in them. We like numbers.

Sarah Healey: We have been trying to be as transparent as we can, even if occasionally it leads to questions about why dates have changed. We want to give everybody the best estimate, put it into the public domain and be transparent about it, so if you want to discuss offline exactly how we can best do that, and you have views about how we can do it specifically with this Committee, we are always happy to help.

Q80 **Chair:** Thank you very much. We will take that offline and perhaps work with our colleagues at the National Audit Office just to make sure we are getting what we need to hold you to account. Just very quickly, I want to move on to the culture recovery fund, and we talked to you before about fraud and error in this. I just wondered if you have an update, now we are a year or so on, as to delivery on that.

Sarah Healey: Yes, I do have an update on fraud and error in the culture recovery fund. Arts Council England has been concluding the post-event assurance on the culture recovery fund and has found one case of potential fraud, which it believes is a very small amount. It is currently investigating whether it is genuinely fraud or might just be error. The numbers at the moment are extremely low. There have been a couple of cases reported outside of that. Some of them are cases where we had not even distributed the funding, so we were able to not distribute the funding before all of that happened.

I can give you a bit more detail on it. All of our arm's length bodies have been completing their post-event assurance. We did hold back those grants that were flagged as potential fraud beforehand. This is all CRF1 in terms of post-event assurance.

Chair: Culture recovery fund 1.



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Sarah Healey: Sorry, the terminology is too familiar internally to the Department. So far, yes, there is one case of possible fraud at a value of £4,471.

Q81 **Chair:** Just remind us the total cost of the scheme, because that will put it in context.

Sarah Healey: It is nigh on £2 billion. As of the end of last month, they have completed 203 reviews on 10% of the organisations and that is what they have found so far. Our other arm's length bodies that are responsible for those programmes have also completed their post-event assurance for culture recovery fund 1. Within these, there was one instance of error and one instance of prevented fraud recorded by Historic England, which it is going through dealing with at the moment. In general, the error is related to ineligible spend, so spend that we would not have signed off because it did not meet the tests. The organisation in question on that front has agreed to repay the money. We will continue post-event assurance.

Q82 **Chair:** How long will the post-event assurance take? I think you just said you have got through 10% so far.

Sarah Healey: We would not necessarily go through every single one, because that would be excessive cost for the amount that we are recovering. We will start with post-event assurance for round 1 until February 2022 and then look again at any allegations made against grantees outside of that process. Then Arts Council England, which is the bulk of the funding, is due to start post-event assurance on round 2 in February 2022. I will give you regular updates on the culture recovery fund anyway.

Q83 **Chair:** There is still a tail in which you could see fraud come forward.

Sarah Healey: Exactly. We talked at the hearing about the volume of alleged fraud outside of that. There have been 24 further allegations reported to DCMS outside of the post-event assurance programme, at a total of £1.76 million. Those are all being investigated and we will recover wherever we are able to do so. We will explore in cases of error exactly what drove that and take a sensible approach to handling that.

Q84 **Chair:** Where are you getting this information from? Is it whistleblowers or rival organisations?

Sarah Healey: I do not know, actually. It is sometimes the public or sometimes other organisations that reference organisations that receive funding, but, as I say, there have been 24 instances of that. We cannot confirm exactly what the status of them is, but so far it appears relatively low level, considering the scale of the fund.

Chair: Every pound of public money, as we all agree, needs to be recovered.

Sarah Healey: Of course.



Q85 Chair: Generally, this whole situation has given you an in-depth and fast view of what is happening in the charity sector. What is your assessment of the general health of the charity sector and what plans do you have to support charities as we hopefully emerge from the worst of the pandemic, but we still have some challenges ahead?

Sarah Healey: We discussed at the time of that hearing that one thing we reflected on in producing that charities funding package was that our data and understanding of the state of the sector and its financial challenges was not as strong as it could have been. We have been doing a considerable amount of work to improve our understanding of that financial health, both working with the Charity Commission, which is the best possible source of that information centrally, and looking at external sources.

We have also started a project with the Charity Commission to significantly improve the granularity of its data collection, so that we can more accurately pinpoint which charities are in what condition financially over time. Clearly, quite a lot of information is also held by other Government Departments, because other Government Departments have their close relationships with the particular charities in their sectors and will have knowledge about that.

Q86 Chair: How are you going to try to pull that together, because you are the Department responsible overall?

Sarah Healey: Yes, indeed. Overall, we are regularly monitoring the financial state of the sector. While we are concerned at any suggestions of fragile financial situations in the charitable sector, especially where it provides vital services, at the moment the data we have from the Charity Commission does not suggest that we are seeing very high volumes of insolvencies. They have had a third more reported to them than last year, but we are talking in double figures, as against 170,000 charities registered with the Charity Commission.

Other data suggests that two thirds have felt some financial threat over the last year and a half, which is completely unsurprising, but, in fact, 78% in the latest data from Nottingham Trent University have reported that their financial position has either stayed the same or improved over this period. While it is something we need to keep an eye on, actually, because a lot of charities adapted their business models, fundraising models and methods of delivery, plus receiving Government support both in the form of our charity support package and through the pan-economy measures available to them, they seem to be holding up relatively well in the circumstances.

Q87 Chair: I am more interested in looking forward at how you hold the data. When we have talked to MHCLG, or the Department for Levelling Up—

Sarah Healey: The Department for Levelling Up, Housing and Communities.

Chair: You have it off pat. That is a Whitehall test to pass. If you are a



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perm sec, you have to learn the names of new Departments as they come forward. We have challenged them about monitoring what is going on across local government, for instance exposure in that sector to the Icelandic banks, which is the big one we all know about, and buying commercial property. When will you have done this exercise by and will you have that richness of data to see if there is an exposure threat to the sector, because perhaps they have all travelled in a particular direction?

Sarah Healey: Indeed, that is a very good question. It takes, unfortunately, quite a long time to change the way that we record data on charities.

Chair: I am sure it does.

Sarah Healey: There is a 22-month lag on the way the Charity Commission collects its data and makes changes to that. We are definitely looking to have a much better monitoring system. It will probably be a good year from now before we would see the impact of that, but we do not rest on just that project as a way of doing this. As I say, we also monitor very carefully all the sources of information we can find from outside and the annual returns as currently made to the Charity Commission.

Q88 **Chair:** In the new annual returns you think with a good algorithm you will be able to quickly identify, for example, if lots of charities are investing in commercial property or something that might end up being risky.

Sarah Healey: In particular, threats to particular kinds of charities, so ones that are operating in sectors that we are particularly concerned about or on services that we are particularly concerned about.

Q89 **Mr Holden:** The Gambling Act review closed in March this year. Government best practice says that consultation should be 12 weeks later than that. I am just wondering when we are actually going to see it.

Sarah Healey: We are busy working with Ministers on what we are going to do in response to that consultation and you can expect the conclusions of it in the form of suggestions about what we will change in the Gambling Act early in the new year.

Q90 **Mr Holden:** That is going to be the response to the consultation and those suggestions at the same time. Okay, very good. Why has it taken so long?

Sarah Healey: We began with a call for evidence and we allowed a substantial amount of time for that call for evidence. We got a very significant evidence base back from that and we have wanted to take our time to work through what the right policy options are in this important area, where we have not seen any significant reform since the Gambling Act in 2005.

Q91 **Mr Holden:** No, indeed. There is a broader impact of this delay on the Gambling Commission, which has also seen a change in leadership recently. Also, there are clearly knock-on impacts of that. I am just wondering what impacts, if any, you have seen on the industry from the



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slowness of the response in this area.

Sarah Healey: The industry has, like all industries, experienced different things during the course of the pandemic. We have in particular seen a significant impact on land-based gambling. There has not been an entire focus of channel shift from land-based to online. In fact, the reductions in land-based and in-person have not been equal to the growth in online gambling. We have marginally seen a reduction in the prevalence of gambling overall in the population over the course of the last year and a half.

The Gambling Commission is not standing still while we conduct the Gambling Act review. It made some changes to protect problem gamblers during the course of covid, which it has left in place, such as interventions on marketing to cease marketing to gamblers when they demonstrate problematic behaviours. It is keeping those in place.

It is also undertaking some pretty fundamental work on how it measures prevalence. We talked about the issues with the evidence base in this area last time we discussed this, last spring, and it has been working to address some of those gaps, both using the PHE review on problem gambling and looking at its own classifications of problem gamblers, but also overall gambling prevalence.

We acted to ensure that it had the right fee structure to be able to deal with the changes in the market during the course of the pandemic. Other changes that have been made, such as raising the minimum age for the lottery, have taken place during that period. We have not stood still, but fundamental reform, to address the fact that the shape of the gambling industry is online in a way that it was not in 2005, will be undertaken as part of that review.

Q92 **Mr Holden:** We will come on to the lottery more generally a little later. Could you just remind us how quickly the National Lottery said it would take for it to implement raising the minimum age of the lottery?

Sarah Healey: I am not aware of exactly how quickly it said that it would do it, but I am happy to follow that up for you.

Q93 **Mr Holden:** The issue with the changes that it said it would propose, which would need to be reflected in your response to the Gambling Commission, is that it said it would take potentially up to the end of October this year, so literally last week. It managed to do it within a matter of a few weeks at the end of the day.

In terms of the ability of the industry to react, we saw the way it reacted to the closure of the shops by moving everything online quite quickly. It is probably important that that is taken into account when we are listening to the impact of the evidence. Just in terms of online, that grew a huge amount during the lockdown period. I am just wondering what trends you have seen since lockdown has ended.



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Sarah Healey: As I say, we have seen that there has been a decline of around 4% on land-based gambling, but the rise in online gambling has not been equal to that decline; it has only been a couple of percentage points.

Q94 **Mr Holden:** Since lockdown ended before summer, I just wondered what we had seen in terms of online.

Sarah Healey: I do not have super up-to-date figures on online. I have figures for the last period from last year through to this year.

Q95 **Mr Holden:** I just thought it would be interesting to know whether that switch to online was a temporary thing or whether it is permanent.

Sarah Healey: Some of the impact on land-based has been permanent, just because of the nature of high streets and what has happened in local areas, but the precise proportion of that and how permanent it is we will not know until we can see a proper annual comparison.

Q96 **James Wild:** Happy Safer Gambling Week, everyone. It is reported today that Sky Vegas casino sent promotional emails to customers who had self-excluded using the GAMSTOP system. Do you share the concerns about that and do you expect the Gambling Commission to take robust action?

Sarah Healey: Yes. If somebody has breached the terms of agreement and of their licences, and breached the regulations, we would expect the Gambling Commission to take action.

Q97 **James Wild:** Good. Sky Bet and Sky Vegas' owner, Flutter, was reported as telling analysts this week that it did not believe the changes forthcoming in the Gambling Act review would lead to a regulatory big bang. Can you give the Committee some confidence that it will be disappointed in that expectation?

Sarah Healey: As we have not told it what we are intending to do in the Gambling Act review, I do not really see how it could have reached that conclusion.

Q98 **James Wild:** It will not have got that impression from any conversations with the Department or other parts of Government.

Sarah Healey: We continue to discuss with Ministers, and indeed our new Minister on this subject, exactly what we want to put into the Gambling Act review, with precisely the aim of tackling some of the issues of problem gambling that we discussed last time with this Committee and that have the potential to change significantly as a result of the shift to online gambling. That is the purpose of the Gambling Act review.

Q99 **James Wild:** Public Health England published some useful evidence about gambling-related harm towards the end of September, and that was one of the issues we talked about quite a lot when you appeared before us previously. In its summary it said that, with the exception of commercial stakeholders, there was a consensus that gambling requires a public health



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approach. Will you be taking the consensus of non-commercial stakeholders that this does require a public health approach to deal with the costs, whether from mental health or other issues, that are highlighted in that research?

Sarah Healey: Sorry to keep repeating myself, but the purpose of the Gambling Act review is to look at all these issues in the round and ensure that we are tackling problem gambling in a holistic fashion.

James Wild: As a public health issue?

Sarah Healey: In so far as we want the interventions we want to set out to be effective.

James Wild: I am not sure what that means.

Sarah Healey: I am not sure whether there is a technical definition to a public health approach that we may or may not meet, according to what we put into the review, but the intention of the review is to tackle problem gambling in the most effective way possible, so if that is taking a public health approach, then that is what we will be wanting to do.

James Wild: I think we are agreeing then.

Sarah Healey: Are we there?

Q100 **Chair:** Oxford University has done some research showing that the heaviest gamblers have a mortality rate a third higher than non-gamblers, so will preventing suicide be part of the discussion that you are having in the review?

Sarah Healey: In terms of how we want to take action to make sure we are preventing problem gambling, tackling it early and preventing it upstream before we get to the position where we have to focus on a treatment approach.

Q101 **Chair:** As Mr Wild highlighted, there is the gambling industry and then there are the other people with an interest in this, and you are engaging fully with those bodies.

Sarah Healey: Yes.

Q102 **Peter Grant:** Although the age limit to take part in the lottery is increasing, there is no age limit on being able to be exposed to intensive advertising on television from the National Lottery and other gambling activities. Why do we allow gambling organisations to advertise on television at a time when a significant part of the audience will be too young to participate in those lotteries?

Sarah Healey: That is a policy question. I cannot give an answer myself on why the decision has not been taken previously by Ministers to address this in regulation, but we can take it away.

Q103 **Chair:** Is it part of the gambling review?



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Sarah Healey: All aspects to do with how we prevent problem gambling are part of the Gambling Act review.

Chair: Mr Grant, you have a door to push at there.

Q104 **Peter Grant:** My understanding is that in the promotion of any form of gambling it is illegal to promote it by emphasising what the lucky person could do with their winnings, but somebody knocking on your door and presenting you with a cheque for £20,000, and you going singing and dancing down the street in delight, seems to me to be pushing at that boundary quite firmly. Have you made any attempts or has the commission made any attempts even to take test cases, just to test at what point the gambling industry is breaking that prohibition on selling gambling by giving sometimes wildly unrealistic expectations as to what people could do with the winnings?

Sarah Healey: I cannot answer specifically for what plans the Gambling Commission specifically has underway to do that. Our expectation of the Gambling Commission would be that where there is action that breaches regulations it should take that action. I am very happy to ask that question next time I see the commission, which I do regularly.

Q105 **Peter Grant:** I have a final question on the advertising of lotteries. I have noticed over the last year or two a big increase in the number of big charities that advertise their own lotteries on television. Clearly, charities are entitled to use lotteries to raise money. That has always been one of their main fundraising activities, but some of these lotteries are run by private profit-making companies. It can be very difficult to know how much of your £2 ticket goes anywhere near the charity and how much is creamed off by the organisers.

Will the scope of the current review at least allow the possibility to tighten up the regulations, so that ideally on the face of a television advert or elsewhere it is made much easier for the public to know how much of the income from a lottery is going to good causes, how much is on legitimate administrative costs and how much is being creamed off, sometimes by offshore private companies?

Sarah Healey: We always take concerns about society lotteries and how they operate very seriously. I cannot confirm now whether we will be taking action on that in future, because that is a decision Ministers need to take.

Chair: We have a clear message there from the permanent secretary that there are a lot of people beavering away in the Department, but ultimately Ministers—and the new Minister as well—have to decide now on the scope of the review, so we wish it godspeed, because we want to see it happen. The Committee has a strong interest in this. We just need to move on now to issues around broadcasters.

Q106 **Sir Geoffrey Clifton-Brown:** Ms Healey, could you give us an update on your negotiations on the BBC's renegotiation of the licence fee?



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Sarah Healey: Discussions are ongoing with the BBC and when those are concluded the announcement will be made in the proper way.

Q107 **Sir Geoffrey Clifton-Brown:** When is that likely to be?

Sarah Healey: The licence fee comes in next April, so we are in active conversation with the BBC at the moment. I cannot be absolutely precise on the conclusion of that, but it will be within the next short period of time.

Q108 **Chair:** It is imminent. Surely, it has to be imminent for April. The BBC has to go through mechanisms just to practically get it into place.

Sarah Healey: We are actively in discussion with the BBC.

Q109 **Chair:** What are the hold-ups?

Sarah Healey: Those are ongoing discussions with the BBC and we are engaging with the BBC about the licence fee. It has provided us with information that we are looking at. We are interrogating that information and we are in active discussion with the BBC.

Q110 **Chair:** Then you have to put it up to Ministers to decide.

Sarah Healey: Absolutely.

Chair: You are still at the point of interrogating information. That helps us get an idea of the timeframe.

Susannah Storey: Yes, we have been talking to the BBC for really a number of months and doing our financial analysis. As Sarah says, it is quite an extensive process.

Q111 **Chair:** Have Ministers been involved in looking at that at this point?

Sarah Healey: We have been in discussion with Ministers and with the BBC on the whole process of the licence fee.

Q112 **Sir Geoffrey Clifton-Brown:** How radical are those discussions? Could it be as radical as a universal opt-in system rather than a universal opt-out system?

Sarah Healey: It is worth saying that the structure of the licence fee is not up for debate at this stage. That is set in the charter review, so it is not changeable within a charter review period. The next charter is not until 2027. This is about the level of the licence fee.

Q113 **Sir Geoffrey Clifton-Brown:** Would you give us an update on the sale of Channel 4 and what your plans are?

Sarah Healey: As you know, we issued a consultation setting out options and proposals for the future of Channel 4. That closed at the end of September and we are processing the responses to it. We will announce in due course what Ministers' chosen course of action is with regard to Channel 4.



Q114 **Sir Geoffrey Clifton-Brown:** Given Mr Holden's statement about the three-month usual time for a response to a consultation, can we expect a response on that? There are employees in Channel 4 who must be concerned about the future, so it is in everybody's interest that a clear path is announced as soon as possible.

Sarah Healey: We are working as quickly as possible to process a large number of responses and we will aim to produce a response to that as quickly as we can. We totally recognise the interest in this issue.

Q115 **Mr Holden:** I want to ask one final question on gambling, if I may. One of the issues, which I know is a concern for many Members of both Houses of Parliament, is around loot boxes, which are not regulated as a gambling product at the moment. Can you just assure us that they are being properly considered within the review, even though traditionally they have not been viewed as gambling?

Sarah Healey: We issued a consultation on loot boxes and I think it would be appropriate for us to wrap that response in. As far as I know, that is the plan. I cannot say to you for certain right now, but I am very happy to write with a follow-up.

Q116 **Mr Holden:** Would you, because that is a concern of a lot of Members of both Houses of Parliament, particularly the Peers for Gambling Reform?

Sarah Healey: Fundamentally, it is for Ministers what they decide to address in the gambling review.

Q117 **Mr Holden:** No, indeed, but it sounds like you are seized of the issue at least. Just referring to the National Lottery licence, there seems to have been a delay in the preferred bidder announcement. Could you give us a little bit of an update? It is a big issue for many of our constituents.

Sarah Healey: We did extend the competition. That was a request from one of the bidders, supported by the others, in order to give more time for them to refine and evaluate their bids. During that period the licence will continue on the same terms as previously with the current incumbent. As you may know, we have had a pleasing number of bids in order to create a good competition for the National Lottery licence.

Q118 **Mr Holden:** Can you just tell us how many bids you have had for this?

Sarah Healey: Four.

Q119 **Mr Holden:** Previously, in the last few rounds or last time this has been done, how many have you had?

Sarah Healey: Sadly, I was not around at that stage, so I cannot tell you how many we had at that particular point. We do not run the process of the fourth National Lottery licence competition; the Gambling Commission does. But we stay closely in touch with it and we are closely monitoring delays, because we are concerned to ensure that they are as limited as possible.



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Q120 **Mr Holden:** Exactly. Do you have any idea when the commission will finally come forward with it?

Sarah Healey: The licence extension was a further six months on the expected timescale.

Q121 **Mr Holden:** Do you envisage any possible further slippage in that date?

Sarah Healey: At the moment, we are closely in touch with the Gambling Commission and keen to conclude this according to the timescale currently set out.

Q122 **Mr Holden:** One concern that has been raised throughout the process is the decline in rates of moneys going to good causes, particularly from instant-win games. Has the Department looked at the impact of this? This is major funding for the entire UK sports and cultural sector. Have you made any assessment of the impact of that change on sports and culture in the UK?

Sarah Healey: We keep a close eye on lottery income all the time. As you know, there was a dip in it in recent years, which then recovered. We are really keen in the new licence, and have set out as one of the goals, to have a stronger link between the profits earned by the operator and the amount going to good causes, so that that is sustained. We look after all the lottery distributing bodies, so we are very conscious of the importance of lottery income to the sectors that DCMS looks after.

Q123 **Mr Holden:** Indeed. There is a flipside to that, though, is there not? If you are looking to maximise revenue, that could also see, as it has seen, the lottery move into different and what could be considered harder gambling areas, such as instant-win games. Do you understand that tension and is that something the Department is aware of? What balance is the Department looking to strike? At the moment it is incumbent on the operator to maximise revenues, and I am just concerned that if you are looking to maximise revenues, that is not my view of what the lottery really should be? It should be a game that is very low risk—the lowest risk form of gambling, essentially. I am just concerned that there is potentially an issue there if maximising revenue for the sector remains the main game.

Sarah Healey: I could not tell you exactly what the details will be of the way the licence will be worked out in the next period. The lottery is meant to be fun, but it is also meant to raise money for good causes, which a large number of communities up and down the UK rely on, so we will always want a balance in which the lottery operator is effective at raising money for good causes.

Q124 **Mr Holden:** Sure. There is concern that a lot of money raised by the lottery goes to central organisations, perhaps here in the nation's capital, but does not go to the communities where money is spent across the country. Are you considering how that is looked at as part of the broader gambling review or, indeed, this licence term extension for the current operator?



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Sarah Healey: That would not be dependent on the terms of the licence. That is really dependent on the approach taken by lottery distribution bodies. They make individual operational decisions at arm's length from Government, but within a framework set by Ministers.

Mr Holden: You could change the framework on it, for example.

Sarah Healey: Ministers could decide to change the framework in order to ensure shifts. For instance, there was quite a significant shift in the amount of money that the Arts Council spent outside of London from 2010 onwards. It moved it quite significantly over time and, as a matter of policy, that would be for Ministers to decide whether they wanted to signal a move in that direction, either with lottery funding or, indeed, with the funding that we just secured in the spending review.

Q125 **Mr Holden:** I understand. Finally, this is a major area of competing priorities. The gambling industry has hugely expanded since the 2005 Gambling Act. In terms of your Department, are you confident that you, the Gambling Commission and your other arm's length bodies have the resources that you need to deal with these competing priorities within the sector?

Sarah Healey: As we have just concluded a spending review, I will not run through a veiled version of our spending review bid, but simply say that the Department received a good settlement in the spending review, which sets us up well to deliver on an ambitious and challenging agenda over the next few years. The Gambling Commission is dependent on fees from the industry, which we have raised in order to deal with some of the issues it was experiencing, both from covid and indeed other growing pressures due to the growth of the industry, which you have already registered. We have recently, as you mentioned, had changes at the top of the Gambling Commission, and they are looking to reform and develop the work of that commission. So far they have raised no resource-based issues with me at all.

Q126 **Mr Holden:** Do you think there is any scope for perhaps putting more of the National Lottery and its regulation under the Gambling Commission due to the nature of the lottery or will it remain, as traditionally, in a separate piece of legislation covered by separate areas? Given the fact that the lottery has moved towards much more instant-win games than the once-weekly draw it was set up with, will you leave it where it is, in terms of effective regulation of the industry?

Sarah Healey: It is obviously pleasing to muse on policy issues that are not within my domain. At the moment, the lottery distributors work very closely together, which is very important. In fact, one of the big things that we learned through the culture recovery fund process is how effective our bodies were when they worked very closely together on the distribution of funds. We want to see that continue, particularly, for instance, the National Lottery Heritage Fund working alongside Arts Council England and others on the distribution of funding.



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We want to see that continue, but we also are very cognisant of the fact that those funding bodies have a strong and close relationship with the sectors that they fund, are regionally based and understand the local systems. Perhaps related to our discussion earlier about the importance of local knowledge, a lot of those are based within the communities that they fund and we certainly would not want to see any changes that made a difference to that.

Chair: From what you said before, anything could be possible in the gambling review, so, Mr Holden, you have a door that you need to open.

Sarah Healey: Yes, within limits. It may not be the vehicle we use to respond to a consultation on Channel 4.

Chair: Yes. Anyway, there you go.

Q127 **Peter Grant:** Coming back to Channel 4, I appreciate you cannot tell us what might be in the advice you eventually give to Ministers, but I have had a lot of correspondence from constituents who are very concerned that Channel 4 will just be sold off and turned into yet another commercial television company. If Ministers were minded to do something as radical as that, would it require primary legislation?

Sarah Healey: Ministers have been clear that they think that the remit of Channel 4 is, in fact, one of its strengths and that, if they were looking for a sale, they would look to do so with public service broadcaster obligations attached, but I might allow Susannah to comment on the process.

Susannah Storey: In terms of the process, as Sarah said, we are going through the consultation responses at the moment. If Ministers do decide to proceed with the sale, we would expect to need primary legislation.

Chair: I thank our witnesses very much indeed for their time on a quite wide-ranging set of discussions. We are going to order a PAC bus to take you around the country, so you can visit each of the constituencies that we have had a tour of. Hats off to my colleagues for cramming in every village and town in their constituency during the session. We have probably had our most geographically widespread hearing for a while.

Thank you very much indeed. The transcript of this session will be up on the website in the next couple of days uncorrected and we hope to put out any documents. Some of this we will follow up with letters. We are just considering in the next half hour whether we produce a report, which we will get out, if we do, before Christmas.