



Department for  
Digital, Culture,  
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Dame Meg Hillier MP  
Chair, Public Accounts Committee  
House of Commons  
London SW1A 0AA

22nd October 2021

Dear Chair,

My Department continues to work to deliver the government's ambitious target for the UK of at least 85% gigabit capable coverage by 2025, and seeks to accelerate roll-out further to get as close to 100% as possible.

In advance of the hearing on 4th November, I thought it would be helpful to lay out our progress to date.

### **Increases in UK gigabit coverage since our last hearing**

Gigabit-capable networks are now available to 57% of UK premises, up from 34% when we met in November 2020. Our target of at least 85% gigabit capable coverage by 2025 remains challenging, but we have a high degree of confidence it will be reached.

To maximise speed of rollout and value for money to the taxpayer, the country relies on the commercial market to fund and build at least 80% of coverage, with Government programmes providing the remainder.

There has been significant growth in commercial build plans over the last year, including more telecom providers focused on building to under-served rural areas. This underlines the confidence investors have in UK infrastructure investment and the UK's regulatory and policy environment. Our approach to stimulate commercial investment, bust barriers, and drive competition is working.

Since the last PAC hearing, a number of large infrastructure providers have secured funding and accelerated plans to increase their commercial footprint:

- Openreach increased its target gigabit coverage from 20 million UK premises to 25 million by the end of 2026, including 3 million more premises in predominantly rural areas. Investment committed is £15 billion and this commercial ambition covers over 80% of UK premises.
- Following approval of its Joint Venture with O2, Virgin has set out plans to upgrade its existing cable network to full fibre by 2028.



- CityFibre recently announced a £1.1 billion capital raise to deliver its ambition of connecting over 8 million homes and businesses and to enable its participation in Project Gigabit.

Small to medium-sized infrastructure providers have also secured funding and accelerated their plans to develop commercial footprints:

- A number of providers have raised significant capital over the Summer months, for example Axione Fibre, Broadway Partners and Zzoomm among many others.
- INCA, the trade body for independent network providers, recently forecasted that its members will commit a total of £11 billion of investment to the UK by 2025.

These expanded plans from the market come on the back of Government removing barriers to deployment, with further action in the pipeline. The Telecommunications Infrastructure (Leasehold Property) Act received Royal Assent in March 2021, and the government is currently evaluating responses to consultations on reforms to the Electronic Communications Code. We expect to introduce legislation on this issue in the near future. A technical consultation on 'new build' gigabit capable connectivity will also be published shortly. With the Department for Transport we have already made improvements to simplify and modernise streetworks making it easier for operators to access roads for digital infrastructure deployment.

### **DCMS is delivering in hardest-to-serve areas**

Government is committed to investing £5 billion to bring gigabit coverage to the hardest to reach areas. Building Digital UK (BDUK) is the delivery arm of DCMS and is responsible for Project Gigabit. Its objectives, subject to final approval of the business case, are:

- To maximise gigabit-capable build in the least commercial (final) 20% of the UK by 2025.
- To achieve at least 5% of coverage through BDUK interventions which - alongside the market delivering to all commercially viable premises (80% of the UK) - will meet the government's target of at least 85% coverage by 2025.
- To prioritise early delivery of gigabit capable networks to premises without 30Mbps.

In order to reach the minimum 5 percentage points target, the department needs to deliver a minimum of 1.55 million premises by the end of 2025. Of this 1.55 million, 600,000 have already been delivered. This has been done either through repurposing and extending existing contracts under the Superfast programme to deliver full fibre, industry take-up of our gigabit voucher scheme, or through the provision of fibre to public sector hubs, notably to rural schools and GP surgeries.

The department's delivery plan therefore forecasts the need to deliver at least 950,000 more premises by 2025:

- Approximately a third of these 950,000 will be premises previously on sub-superfast speeds, which will be delivered between now and 2025 through the department's Superfast contracts and extensions.
- A further third of these premises will be delivered through coverage stimulated by the department's demand-led gigabit vouchers and public sector hub upgrades.
- The final third will be delivered through the department's new Gigabit Infrastructure Subsidy (GIS) procurements.

Our internal plan is to deliver all of the final 20% by 2030, or before if industry capacity allows. BDUK has been preparing the procurement activity to support this; we have now surveyed the market on their plans in 18 out of 38 regional procurement areas, in line with our published pipeline to identify the likely and potential gaps in coverage and develop plans for our new procurements.

In May 2021, we launched the procurement of a Dynamic Purchasing System to enable us to call off contracts targeting small and medium sized suppliers to deliver gigabit infrastructure in smaller, localised procurement areas. Ten suppliers are already registered on the system and we will be launching our first call offs shortly.

We are just about to launch the first phase of our larger, regional procurements which will target 61,000 rural premises in Cumbria, 39,000 in Cambridgeshire, and 55,000 in Durham and Northumberland.

With more commercial plans to deliver gigabit capability in the UK than ever before, telecoms providers are extending commercial gigabit coverage beyond urban areas into rural communities, including to many places we originally anticipated would require public funds. While this is extremely positive for the UK overall as it means more premises will be connected faster, we need to ensure we minimise the risk of any waste of taxpayer funds in targeting areas that may become commercial given the market's increased appetite. Given the extent of commercial build and pace of change, we have needed more rounds of discussions with market participants than expected, which has introduced a small, yet necessary, delay to the launch of some of our initial procurements.

The full programme business case is now undergoing the stage gate Treasury approvals, which we are seeking over the next month.

Once the business case has been approved, we will provide further detail on our overall delivery projections for the programme. The Project Gigabit Delivery Plan public updates in March and August have already provided details about the location and timing of the new procurements in each UK area. As we conduct detailed market surveys in each intervention area we will publish the outcomes and identify where we propose to intervene. Once contracts are awarded, full details will be published in line with UK Subsidy Control provisions.

We take public and parliamentary interest in Project Gigabit very seriously. We have now implemented 5 of the 6 recommendations we accepted arising from the last PAC hearing (summarised in the annex to this letter), and welcome the opportunity to discuss the progress that has been made in this critical programme with you on 4 November.

Yours sincerely



Sarah Healey, CB  
Permanent Secretary to the Department for Digital, Culture, Media and Sport

## Annex: Progress Update on PAC Recommendations

DCMS has made significant progress implementing your recommendations since the last update in the Treasury Minutes published March 2021, in response to the Thirty-Fifth Report of the 2019–21 session (“*Improving Broadband*”):

- We met the Spring target date for implementation of recommendation 5 and recommendations 2, 3, 4 and 6 were all achieved by the Summer 2021 target date.
- We have a revised target date of Autumn 2021 for Recommendation 1.
- Full updates to the Committee’s recommendations are due to be published in a Treasury Minute Progress Report on 8th November, but we would like to use this opportunity to summarise our progress ahead of the hearing.

Recommendation	Summary of Progress
<p><b>Recommendation 1:</b> The Department should set out, on receiving business case approval or within 3 months, a clear timeline of what activities it intends to complete and by when to achieve its revised targets including the final dates by which key milestones must be reached in order to meet those targets. It should publish yearly updates on progress thereafter.</p>	<p><b>In progress - revised target date for Autumn 2021 (original Summer)</b> BDUK has published details of its approach and timeline of Project Gigabit in its quarterly Project Gigabit Delivery Plan Updates: Spring, Summer and Autumn (forthcoming). HMT approval for the Programme Business Case is being sought over the next month. The department commits to publishing yearly updates on the delivery profile, and further updates on progress.</p>
<p><b>Recommendation 2:</b> The Department should identify which risks and barriers have the greatest potential to add delay and cost to the programme and provide a clear plan for how and when they will be addressed and the impact on time and schedule if they are not addressed.</p>	<p><b>Implemented</b> We have been working hard to dismantle barriers to delivery, with an update on progress published in March. The Telecommunications Infrastructure (Leasehold Property) Act received Royal Assent in March 2021 and the government is currently evaluating responses to consultations on reforms to the Electronic Communications Code and a technical consultation on ‘new build’ gigabit capable connectivity will be published shortly. With the Department for Transport we have made improvements to simplify and modernise streetworks making it easier for operators to access roads for digital infrastructure deployment.</p>
<p><b>Recommendation 3:</b> The Department should set out in its Treasury Minute response to this report, what steps it is taking to support the retention of knowledge, skills and delivery expertise in local authorities so that the change in approach does not cause delays to the future programme.</p>	<p><b>Implemented</b> We have set out a clear set of roles and responsibilities for local authorities and the ways in which they can support the programme. This is working today, and we are already working side-by-side with local authorities to collect supplier data and plan</p>

	<p>appropriate interventions together. Digital Infrastructure remains a key priority for local authorities. The current evidence is that local capacity continues to be available and no clear or substantial repercussions from the change in delivery approach has occurred.</p>
<p><b>Recommendation 4:</b> As the Department finalises its approach to its gigabit programme it should set out how it is incorporating the lessons learned from the superfast programme including:</p> <ul style="list-style-type: none"> <li>• Setting out clear programme specific objectives for the subsidised part of the future gigabit programme (the £5bn programme).</li> <li>• How it intends to improve its targeting to ensure it covers only those areas in greatest need, particularly areas with a high proportion of premises which are uncommercial for rollout, and that any money that does need to be returned is done so as soon as possible.</li> </ul>	<p><b>Implemented</b> The department is centralising and automating a process for suppliers to regularly share their latest build plans, ready to inform targeting decisions for future procurements. We are using our data visualisation tools and local authority input to carefully target our procurements, ensuring we identify and prioritise the least commercial areas and those in greatest need.</p> <p>The successful clawback mechanism from the Superfast programme (forecast to recover an estimated £0.9bn) will be adopted for the new contracts, but will track 15 years of supplier profits (previously 7) to reflect the longer asset life of gigabit networks.</p>
<p><b>Recommendation 5:</b> The department should set out how it will establish which properties do not yet have superfast broadband, how reliable the data it will use to identify them is, and when they can expect to receive gigabit capable broadband.</p>	<p><b>Implemented - March 2021 progress report</b> The Department is already delivering gigabit coverage to rural and remote premises and those currently without superfast broadband.</p> <p>To accurately identify and plan its intervention areas, the Department has been collating Ofcom's regularly updated Connected Nations data (quarterly) on the current operator footprint and collecting data on future build plans from a wider range of operators. It is implementing systems that will allow operators to update their data on a regular basis with their latest plans and, once assured, will be reflected in its delivery plans and the data made available in the public domain.</p>
<p><b>Recommendation 6:</b> In its Treasury Minute response to this report, the Department should set out how it plans to work with Ofcom, suppliers and industry bodies to ensure that all consumers will have a choice of service providers and are protected from overcharging, in particular where they become tied to a monopoly supplier.</p>	<p><b>Implemented</b> BDUK and DCMS policy teams are in regular contact with Ofcom to discuss the regulatory landscape, and its impact on consumer pricing and government-funded interventions. This includes: a set of commitments to support vulnerable consumers during the pandemic, as well as encouraging more providers to offer social tariffs.</p> <p>The department has also incorporated pricing</p>

	<p>protections and network access conditions into Project Gigabit procurement documentation, contracts and management processes. For example, the department's proposed contracts include conditions which require suppliers to allow wholesale access to their infrastructure for third parties and an annual wholesale access price benchmarking requirement. This secures a competitive marketplace for consumers within our subsidy areas.</p>
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