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Pete Wishart MP  
Chair  
Scottish Affairs Committee  
House of Commons  
London  
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Dear Pete

Thank you for the opportunity to give evidence to your committee's inquiry into Digital Connectivity in Scotland and for your letter of 8 May. During my session, I promised to follow up on the breakdown of Digital Scotland Superfast Broadband's (DSSB) funding, and engagements by our Barrier Busting Task Force with the Scottish Government. You have also asked me to clarify the interaction between the gainshare funding from the Superfast Broadband programme and the Scottish Government's R100 programme, and for further information on the £21 million of UK Government funding that the Scottish Government has not yet spent. The answers to these questions are set out below.

### Breakdown of DSSB Funding

The breakdown of contributions to the DSSB is as follows:

<b>UK Government</b>	£121.8 million
<b>Scottish Government</b>	£162.7 million
<b>European Funding</b>	£19.5 million
<b>BT</b>	£74 million
<b>Total</b>	£378 million

To note, these figures are for both the Rest of Scotland and Highlands and Islands projects. I would also reiterate the point that I made during my evidence that Scotland has received 17% of the UK Government's funding for Superfast Broadband programme, although it comprises roughly 8% of the UK population.

I welcome the Scottish Government's commitment to supporting improved digital connectivity in Scotland through R100, given the UK Government's allocation of £121.8 million for Scotland represents more than double the funding per head than the rest of the UK population for the superfast programme. However, the reality has not matched the rhetoric, and Scottish households have been left waiting for superfast broadband for almost half a decade now. Given the long delay since we allocated the last round of funding, during which the Scottish Government have failed to make any progress, we have decided in the future to deliver broadband directly to people in Scotland, rather than via the SNP government, which has been unacceptably slow.

### **DCMS Barrier Busting Taskforce**

The DCMS Barrier Busting Task Force are in regular contact with their colleagues in the Scottish Government's Digital Directorate and meet quarterly to discuss how best to address the barriers preventing the fast, efficient deployment of digital infrastructure.

The Task Force is also providing support to the Scottish Government on 'live' on the ground issues as they arise, as well as working with colleagues in creating Scotland specific guidance for wayleaves, street works, rural connectivity, 5G infrastructure deployment, and the use of public assets.

### **Gainshare Funding and R100**

The DSSB programme is currently expected to receive c.£60 million of gainshare funding due to higher than expected take-up of superfast broadband and efficiencies, and the final figure could be higher. Whilst this gainshare funding is not part of the £600 million R100 budget, it will be available for the further deployment of superfast broadband in Scotland, and will reduce the potential footprint of the R100 programme. In addition, the Ministry for Housing, Communities and Local Government has committed £20 million of broadband funding for Inverness and £10 million for Aberdeen through their City Deals. This funding can be added to the R100 procurement if Inverness and Aberdeen agree with the Scottish Government. The Highlands is also benefiting from the first wave of funding from the UK Government's Local Full Fibre Network (LFFN) programme, with up to £4.5 million to help rollout full fibre in this area.

### **Phase 1 and Phase 2 Contract Procurements**

There was no difference between the design of the DSSB procurement process and that followed by most other local authorities in the UK. The principle difference between DSSB and other local bodies is that DSSB has grouped together a number of authorities rather than undertaking procurements individually. This is not unique, however, and there are groups of English local authorities that have chosen to fund and buy superfast broadband delivery as a collective rather than individually.

For all BDUK projects, the phase 1 procurements were completed between mid-2012 and September 2013. BDUK then allocated phase 2 funds in February 2014 and asked all Local Bodies to start phase 2 procurements with the aim of having contracts agreed and in place by June 2015, when the first state aid decision was due to expire. BDUK met with Scottish Government officials at the end of 2014 and in early 2015 to encourage them to meet this timetable, but by early 2015 it was clear that there was no realistic prospect of this timetable being met.

The original completion date for the phase 1 contract for the Rest of Scotland project was the end of December 2017, although change requests have extended the contract end date. Once this is complete, there will be no significant delivery happening until mid 2019, even though funding has been available since 2014. This leaves the prospect of a five year delay in broadband rollout thanks to the Scottish Government's failure to act effectively.

The Scottish Government has stated that it could not start the Open Market Review or Consultation earlier, as the phase 1 contract had not completed and there would be uncertainty over target premises. All other local bodies have undertaken the same exercise and have been able to procure a second contract using the phase 1 speed and coverage template (SCT) as a guide. It has also not prevented other suppliers from bidding in these areas and phase 2 contracts have in some cases been awarded to different providers. To be clear, BDUK advised the Scottish Government to follow the same procurement path as other local authorities and gave guidance on how any build overlap could be managed. There was no formal agreement between BDUK and the Scottish Government to not follow this advice; BDUK simply accepted that there was no realistic prospect of the Scottish Government being able to meet the deadlines and chose not to pursue the matter.

Yours  
Matt

**The Rt Hon Matt Hancock MP**