

Public Accounts Committee

Oral evidence: BBC Accounts and Trust Statement 2024-25, HC 1230

Monday 15 September 2025

Ordered by the House of Commons to be published on 15 September 2025.

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Members present: Mr Clive Betts (Chair); Sarah Green; Chris Kane; Michael Payne; Blake Stephenson.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Claire Rollo, Director, National Audit Office, and Edward Pinney, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-86

Witnesses

I: Tim Davie, Director General, BBC; Leigh Tavaziva, Chief Operating Officer, BBC; Shirley Cameron, Director of Revenue Management, BBC.

Reports by the Comptroller and Auditor General

BBC Group Accounts 2024-25 (incorporating the Comptroller and Auditor General's report)

Television Licence Fee Trust Statement for the Year Ending 31 March 2025 (incorporating the Comptroller and Auditor General's report) (HC 1182)

Examination of witnesses

Witnesses: Tim Davie, Leigh Tavaziva and Shirley Cameron.

Q1 Chair: Welcome, everyone, to this afternoon's session of the Public Accounts Committee. First, apologies from the Chair, Sir Geoffrey Clifton-Brown, who is not with us today. I am Clive Betts MP, and I will take this session as deputy Chair.

The session is about the BBC, which most of us are very familiar with, as our major national broadcaster. We will explore issues around the licence fee: how much it is, how it has increased over time, and those who decide, for good or bad reasons, not to pay it. We will also look at the other income the BBC gets from its commercial and other sources, and at the effect that has on what the BBC can produce for us by way of programmes. This afternoon we have three witnesses with us. Perhaps you could introduce yourself first, Tim Davie, and then your colleagues.

Tim Davie: Thank you, Chair. It is a pleasure to be here. I am Tim Davie, director general of the BBC. I will let my colleagues introduce themselves.

Leigh Tavaziva: I am Leigh Tavaziva. I am the group chief operating officer of the BBC.

Shirley Cameron: I am Shirley Cameron. I am the director of revenue and customer management at the BBC.

Q2 Chair: Thank you. You are all very welcome. I do not think Shirley has been here before. The other two are experienced witnesses at the Committee, but welcome, Shirley, on your first time.

Before we get on to the issues we are concentrating on with regard to revenue, I will ask you this, Tim Davie. An issue arose last week when the Irish broadcaster decided that in the light of the events in Gaza it will not show the Eurovision Song Contest whenever Israel is a participant. Has the BBC given any thought to that issue at all?

Tim Davie: To declare an interest, I am a board member of the European Broadcasting Union. Obviously, this has been a topic that the body across Europe has been debating at length, in terms of delivering the Eurovision Song Contest. From a BBC point of view, we are very aware of the concerns. It is obviously a well-debated topic, and difficult. At this stage,



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we are supportive of the European Broadcasting Union's work. It is going around discussing with members, and working through all the processes by which it would be satisfied to make a decision one way or the other. From a BBC point of view, I have nothing to add at this point. We will work with the European Broadcasting Union.

As a general statement, Eurovision has never been about politics. It should be a celebration of music and culture that brings people together. That is really important to try to preserve throughout, but at this stage I am supportive of the European Broadcasting Union's work, and it needs to get on with it.

Q3 Chair: Okay. Clearly, you are aware that Slovenia joined in with Ireland after they made their announcement.

Tim Davie: Indeed.

Chair: Is it the case that we will eventually see an announcement about this, but your intention would be for the BBC to act in line with the European Broadcasting Union?

Tim Davie: To be fair, I think we need to see what the European Broadcasting Union decides. There are also questions to ensure that this contest is about the broadcasters from that nation submitting a song, and that the process works properly and is truly apolitical—all those things. There is quite a lot of detail to get through for the European Broadcasting Union. As an independent BBC, we will look at that, and then we can go from there.

Q4 Chair: Right. Do you take any account of your viewers' and listeners' views on these subjects?

Tim Davie: Absolutely. We are here to serve the public. As you know, there are a number of issues that are highly divisive within society. Of course we look at the views of the people we serve and our shareholders, the public—absolutely.

Chair: How are you doing do that?

Tim Davie: To be honest, we are researching with the public all the time through representative samples. I could tell you how many people view our coverage one way or the other at this very moment in time. Essentially, 58% of people do not believe we are one-sided one way or the other. Most believe we are impartial, a fair proportion do not know, and about 21% on either side believe we are pro the Palestinian side or pro the Israeli side. We are researching that all the time—not only the broad societal surveys, but specific to BBC output.

Q5 Chair: Thank you for answering that question. Can we move on now to the important issue of licence fees? It is certainly important for the people who pay them and had a 6.6% increase. Did the extra income that the licence fee increase generated meet your expectations?



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Tim Davie: Overall, yes. We are seeing good progress in terms of people's acceptance of the inflationary price rise. It comes on the back of a number of years—I am sure we will talk about this, Chair—when we were not putting the price up. I still believe we are offering good value. Certainly, if you benchmark versus other services out there, the BBC remains incredibly good value and, by comparison, better value than it has been historically. From a frontline perspective, Shirley, I think the price rise has been well implemented, yes?

Shirley Cameron: Yes. Having had the break for two years, we had to put in motion the machinery to have the uplift. That all went appropriately to time. We were pleased that the impact of that on payments was quite low, and we actually achieved slightly higher income than we had budgeted last year.

Q6 **Chair:** We will come back and look at non-payment in a second. Obviously you think it was a reasonably successful venture to put the licence fee up. Nobody likes to pay more, but it was on the back of previous freezes. Do you anticipate an inflation-linked increase next year?

Tim Davie: Yes, in line with the agreement we made. For the last period of this charter it was two years flat, then four years with inflation. I think that is a reasonable increase. We all know around this table how budgets are under pressure in households. We are very sensitive to that.

Critically, under my watch, the BBC has been very focused on delivering to you and your household outstanding value for the monthly contribution to the licence fee which, as I said, remains competitive. We are watching like a hawk how much people are consuming the BBC. Overall, I think we are offering a good value proposition, as well as doing the things that are distinctly BBC. This is not just about chasing the market; it is about doing things differently and being a public service broadcaster that does all the things that differentiate it.

Overall, we will absolutely deliver an inflation-linked increase. In line with your points, this is a decade where we had almost 30% taken out of the licence fee in real terms, and also two years flat. When you look at the medium to long term, I think we offer excellent value.

Chair: Right. We have mentioned the people who do pay, and then there are the ones who do not.

Q7 **Sarah Green:** Shirley, how are you addressing the increasing number of "no licence needed" declarations?

Shirley Cameron: The increase in "no licence needed" declarations was lower last year than it had been in the previous year. The "no licence needed" declaration made by some of our customers is actually a helpful mechanism, because it means we can stop writing to them for a period of time. We took a number of measures—myself and my team—having looked carefully at the profile of people declaring "no licence needed". Having observed people's viewing habits and the fact that household movement can happen quite regularly, we changed the period after which

we require reaffirmation of the “no licence needed” status from two years to one. We believe that drove an extra £13 million of revenue in 2024-25, because we were getting to people at the point at which they needed to be licensed earlier than we might have under the old process.

Q8 Sarah Green: What is your metric? How will you measure whether those actions are successful? They are quite targeted.

Shirley Cameron: For that particular one, we can see from the mailings that we make seeking reconfirmation whether somebody then buys a licence.

Q9 Sarah Green: Are you just writing to people, or are you doing other things?

Shirley Cameron: No, we have a range of other activities. We will on occasion visit people to ensure that their “no licence needed” declaration is correct. The process whereby people make the “no licence needed” declaration has been improved by my team, which is working on the website journey to make sure that people are very clear on the wide range of activities that are licensable, such as watching a live overseas channel on YouTube. We also have specially trained agents who are able to talk about that wide range of licensable activity, to make sure that people do not inadvertently make a “no licence needed” declaration when in fact they do need a licence.

Q10 Chris Kane: I would like to talk about how you are judging success in the activities that you are doing. We started talking about this last week in the Culture, Media and Sport Committee.

Tim Davie: We did.

Chris Kane: Given the significance of the licence fee income, there do not seem to be many targets to reduce licence fee evasion. When I raised that view last week, you said that there are some internal targets that we may not be seeing. Can you expand on that?

Tim Davie: Like any organisation, we have very clear revenue targets on both the commercial side, which I am sure we will touch on, and the public service side. It is worth saying that the top executive team that I run, plus the BBC board, are watching this monthly. We are very focused on revenue—of course we are. We are also interested in the topic of “no licence fee needed” and the mitigations we can provide.

It is twofold. It is about enforcement, but our research is very clear that the licence fee holds up when you are delivering value to every family in terms of usage of the BBC. We can see a clear correlation between when we are reducing erosion of the licence fee and when we have a strong sports calendar and a strong drama offer. This autumn, I am looking forward to “The Celebrity Traitors”. No, seriously! “Blue Lights”, and all those things, underpin the licence fee. That is why it is critical that we do not disconnect funding from support of the BBC. We may get to this topic, but we have been ruthlessly focused on deploying money to the frontline—that is to say, content and editorial—to drive habitual usage.



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To your point, the NAO audit us and we are very clear on what our targets are. For instance, last year we beat our target slightly. Shirley and her team do a good job—please come join us in the retention unit in Darwen—and they have very specific targets for what they are trying to do and, on the earlier question, on what we are trying to do in terms of “no licence fee needed” and evasion through a year.

- Q11 **Chris Kane:** Giving us sight of these targets would be useful. If they are internal, it is difficult for us to evaluate how you are evaluating things. Perhaps you could write to us and give us some information on what the targets look like so that we can evaluate what you are evaluating. I forgot to declare that I am a member of the National Union of Journalists—I want to put that on record.

Shirley Cameron: This might be helpful for the Committee. On the subject of targets, we have a revenue target and a target for licences in force that we are working to in terms of our budget. As Tim says, we work to that really closely. However, our main priority is to make sure that our operations are efficient, appropriate and proportionate. A key check on that is the NAO’s audit of our work, and it finds that they are. We do that to be fair to the vast majority of people who pay.

We use certain metrics for which having a target would not really make any sense. We do not have a target for “No licence needed”, because it is entirely down to customers whether they want to do that and it would not make sense for us to drive towards a particular number. In all cases, we are seeking to make sure that people who should be licensed are licensed, while protecting the most vulnerable customers. That is what we are trying to do all the time.

- Q12 **Chris Kane:** Can you give us some examples of how you are engaging with viewers to encourage households to buy a licence?

Shirley Cameron: We take a number of actions. We are always looking at our correspondence with customers and checking what communication works. We have an obligation to collect the licence fee. We remind people when their licence is coming up for renewal, and if people subsequently do not renew, we then make sure that we inform them, as we need to, of the possible consequences of not buying a licence when they should. We have a highly trained workforce of men and women who visit unlicensed households to explain, if they need to, have a conversation with them, and find out whether they need to be licensed. If they do need to be, they are able to issue a free over-75s licence, and they are able to sign people up to get a licence.

We did a lot of work to move from a regime that was more heavily about enforcement to helping to explain to customers the value that a television licence brings them. Consequently, we have made a succession of changes to our correspondence and our other communications. We have refreshed our communications in marketing and media, and we have improved the clarity of all our other correspondence with customers.

- Q13 **Chris Kane:** It all seems very analogue: telephone calls, letters through



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the post and visits to the house. Can you talk about how technology might help? If I go on to BBC iPlayer, I have to log in; are you capturing that information? You will know more about who is using the digital channels than who is using terrestrial broadcasting, so is there a digital aspect to enforcement?

Shirley Cameron: Our digital strategy has been focused for a number of years on trying to drive digital engagement with our customers, and that is also helping us to control the cost of communicating. We were really pleased that last year the percentage of customers receiving an e-licence went up by 3% to 60%. We are in the process of refreshing our website, but, as BAU, we continue to look at the customer journey to make sure it is as straightforward as it can be. We very much want to engage with our customers on that digital journey.

Q14 **Chris Kane:** But you know who is watching on iPlayer, so you are already capturing information. If someone is watching iPlayer, do you know whether they have a licence, given that they have logged in and provided you with information on who they are?

Shirley Cameron: There is not a match for that. The licence is based on a household and an address, and a BBC account is a different form of information without an address.

Q15 **Chris Kane:** You are moving into a world that is digitally based. As you said, there were the days of everyone sitting around watching EastEnders, but we are moving towards individuals watching, so you are moving to a world that will be based around the viewer. I am intrigued as to why you cannot already get a sense of that.

Tim Davie: We can get a sense of it, but it is a subsection. Welcome to the joys of universal broadcasting, which makes it so different from a commercial enterprise where, essentially, if someone enters your world, you get them through the turnstile and you record them. One of the wonders of the BBC as we sit today is that we are broadcast organisation that everyone can get hold of. Your radio consumption comes through DAB. We are in a different world.

It is a very good question. There is a whole different discussion about the digital transition in the UK. I am a passionate advocate of digital transition, with no one being left behind at all. At that point, which I think is a long way off—we can talk about radio in that context—you can then have a situation in which you are able to understand BBC usage more clearly. You then have a funding choice, exactly as you are talking about. As it stands today, a vast amount of the value that the BBC delivers is still through broadcast television and broadcast radio. We are in a hybrid system.

Q16 **Chris Kane:** I get that, Mr Davie. What I am hearing is that it is not yet part of your arsenal of licence-evasion tools. It seems that you are not exploiting the digital information, even if it is just to help you to target the visits and the letters.



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Shirley Cameron: It is not directly used, but we use information that we get from iPlayer viewings as part of the conversations that our retentions team have with customers. They understand what kinds of programming are appealing and drawing audiences, and that people might be watching, which requires them to have a licence.

Tim Davie: We do not want to gate the BBC so that we restrict people's access too far. It is a universal service. The licence fee, for all its challenges, is still paid by nearly nine out of 10 households. I have got your point, but it is a question of how far we go. We could gate the iPlayer tomorrow, but I do not think that is the right thing to do. We could gate BBC News tomorrow; that is not the right thing to do. We want to make sure that we preserve universality and get the balance right. As we head towards charter, it is definitely about the kinds of questions you are asking in terms of where we head from here, which we could talk about.

- Q17 **Chris Kane:** One last question from me on this. I notice that the NAO Report talks about how you are exploring different ways of engaging with customers, including targeting areas with low rates of licensing. Can I get an assurance that you will not move to almost a two-tier system of targeting people? I imagine that there will be areas where the low rates of licensing may be to do with the cost of living crisis or lower incomes. Absolutely, you should be paying your licence fee, regardless of your income, but can you assure me that if someone in a more affluent area is evading it and can afford it, they are not less likely to be targeted by the evasion team?

Shirley Cameron: That is not the case. Across the board, unlicensed households will receive a number of communications from us. If they do not engage with those communications, they will be listed for a visit, and the visit is prioritised for field visiting officers on the basis of likelihood to pay. It does not discriminate on geography.

- Q18 **Chris Kane:** You won't be targeting poorer areas for more enforcement action—it will be a universal enforcement action?

Shirley Cameron: It is linked to our gender disparity review. Our enforcement activities are not discriminatory against any group.

- Q19 **Michael Payne:** I want to focus on visits to unlicensed households. In 2024-25, visiting officers carried out nearly 2 million visits to unlicensed households, but there has not been a match in terms of interviews under caution, prosecutions or licence sales. Why has an increase in visits to unlicensed households not led to a matching increase in licence sales or prosecutions?

Shirley Cameron: The visiting environment is challenging. We were pleased to see the number of visits increase. As you may know from knocking on doors, it can be harder to get an answer these days than, say, five years ago. We will work with our field force, which is out there doing interviews. They are especially trained to observe vulnerabilities and help our vulnerable customers, so as part of their visit they are more likely



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to help sell a licence, and they go through the process with all our various safeguards.

- Q20 Michael Payne:** There has also been a fall in the number of people taken to court in year-on-year data. I think the most recent available data is from December 2024 compared with December 2023. The annual accounts report a fall in the number of people taken to court of just over 17%. There is clearly an investment in terms of the number of visiting officers and the increase in visits, which should be commended, but the return is not being seen in either licence sales or prosecutions. Indeed, I think since 2017 you have had a fall year on year in the number of people taken to court. In the light of that, what more can you do to improve your enforcement activities?

Shirley Cameron: We have had a consistent drop of more or less 5,000 a year, and the number of prosecutions have dropped, but there are other activities that we carry out. We are moving to a more marketing-led range of activities, as well as the field force. The increase last year was because we had our field force up to the contracted numbers. Prior to that, numbers had been depressed coming out of covid, with difficulties in recruitment. We now have that team well trained and at full capacity doing that aspect of our enforcement.

What is better for us is to help people to get licensed earlier and at the cheaper end of our collection activities, so we put a lot of effort into communications; we talk to customers through that communication and marketing, which we are making more targeted, and we review the return on investment of all those activities. But what we are trying to do is ensure that people stay licensed, either through electronic marketing or our mailings.

- Q21 Michael Payne:** Tim Davie, do you envisage at any point turning a corner on that trend of the declining number of people being taken to court, which has been ongoing since 2017? To go back to a point you made earlier about the approach to charter and the broader benefits of the BBC, if you are to retain the trust of the public, it is not just about quality of content, what you provide, the breadth of what you provide, and trust and impartiality; it is also about the vast majority of law-abiding citizens who pay their fee knowing and having confidence that those who do not and try to get around the rules are being pursued and being taken seriously by the BBC. Do you envisage that trend being reversed?

Tim Davie: First, I really welcome the comments, because I think we do need an enforceable system. It is very precious that we have a sustainable funding system that is enforced, and your point is extremely well made and often lost: by far the majority of people who pay and support the BBC are saying, "Can you make sure you enforce it, please?" That comes through very strongly in our research, but not often in some of the coverage, but it is absolutely where most of the British people are, based on our research.



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I do not know the answer to your question. How many people we prosecute is certainly not a metric for us. It is an enforceable licence fee that is fairly but robustly enforced. I don't think we will see a big change in the trends, but we then get to the charter question. How many reviews of BBC funding have we been through? These are not my favourite words, but the licence fee has been the least-worst option to fund this precious organisation universally.

It is really important to note to this group that we are not just sitting here looking at the next charter saying, "Can we have exactly the same again?" As I said, we believe in a universal, fairly applied and, to your point, properly enforced system, but as part of charter negotiations, we have the Green Paper and we are in preliminary discussions, and that is really the formal starting pistol for this process. It is important that, in the context of wanting a universal, independent and fair system, we put on the table the question of what the scope is.

Currently the licence covers live television and iPlayer—is that right? What is the level of progressiveness? People misread me—some say that I am trying to fight for this or that, but I am, with the BBC board, open-minded. There will be different views around the table on the over-75s, but I am pleased by the increase in take-up of pension credit. Despite the fact we do not get the income, it is good that they are licensed households. Where do we want to stop and start? I think it is a shame that we were given the over-75s to question and that that was put on us rather than being dealt with by the Government, but what groups should we be supporting in that way? That is a Government decision, clearly with the BBC's input.

Finally, you have the enforcement question. This links a little bit to the earlier comments about the digital transition and all those things. We need a system that is fully enforceable. We are alive to the risk you are talking about. There is quite a lot of pressure on Shirley and the team to deliver their targets. We have the retention unit. To your point, we are still out on the street doing our thing.

My final point is that no media organisation in the land, and probably no business or organisation in the land, with these kinds of "traditional" revenue models is not facing significant trauma, if I can say that, from what the internet, the new world and infinite choice bring. It is not surprising that the BBC faces some pressures and has to justify itself. The key for us is to distinguish between evasion and genuine "no licence needed" and minimise them. I take your challenge. There is a lot of work to do. Driving up the number of prosecutions is not necessarily a metric of success, but we definitely need a fully enforceable system.

Q22 Chris Kane: I want to ask about the money you are spending collecting the licence fee, but I also have a daft question, which I should know the answer to but I do not. In the annual report, it says, "The BBC is taking steps to minimise collection costs, for example by issuing 60.2% of licences electronically". Why do we issue licences at all? What is the purpose? I have got my licence in the post for as long as I can remember. The minute I get it, it goes into a drawer, and three months after that, I



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file it. I think I might have 10 years' worth of licences still filed. What is the point of physically issuing a licence?

Shirley Cameron: We are required to if people request them.

- Q23 **Chris Kane:** So is this people requesting them, or is your default position that if they don't ask for one electronically, you issue a physical one?

Shirley Cameron: We issue them unless people agree to have an e-licence, which is what we try to promote to our customers. We also try to obtain permission to correspond with them entirely digitally and by email.

- Q24 **Chris Kane:** You are required to give a licence if they request it, but 40% saying "Yes, send me one," seems high to me. Given how many licence payers you have, 40% affirmatively saying, "Send me this," seems—

Shirley Cameron: They are not proactively asking to have one, but they are not saying that they do not need one and we do not have permission to send them—we do not necessarily have email addresses for all our customers. They are not obliged to provide that.

- Q25 **Chris Kane:** Do you have a target for increasing the number of electronic issuances?

Shirley Cameron: We do not have a particular target. We just try to maintain progress.

Tim Davie: I think we should take that away. We are in a position where people have a licence because they think that if someone were to challenge them, they could say, "Here's my TV licence." We will definitely give you the email address, by the way, because we want to move you from physical as a start! That would be one down, 40% to go.

Chris Kane: Everything starts with one.

Tim Davie: It is a fair challenge and we should just take it away and think about how we could do this. The team are trying, clearly, to push the electronic. We should just reflect on that. I think most people sitting there with a physical licence quite like physical, but could we move that? The challenge is well taken; that is what I am saying.

- Q26 **Chris Kane:** Thank you for that, Mr Davie. You spend 4.3% of the licence fee—£166 million—on collection; that was the figure last year. Leigh, what are you doing to ensure that figure represents the value for money that you are pushing for and that you are getting the best results you can for it?

Leigh Tavaiva: As with anything across the BBC, when we are looking at our cost efficiency we look at the teams; Tim and I absolutely monitor TV Licensing's attempts to reduce its costs. We do that through a number of formal measures. We have a budgeting cycle and quarterly forecast reviews where we challenge all departments across the BBC on efficiency. We expect to see productivity efficiency delivered and measures against that.



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One of the challenges around the cost of licence fee collection relates to the point you were referring to and is about postal costs pass-through. Postal costs are expensive and are a significant part of the cost of collecting the licence fee, so of course everything that the team can do to continue to move online and reduce postal costs is a big part of reducing our collection fee.

Q27 Chris Kane: You use Capita to do your licence fee collection services, and I think you are halfway through a five-year contract extension with them. That extension requires Capita to make operational improvements and IT upgrades to improve the customer experience and to create these efficiencies. Have you realised the expected improvements and efficiencies, and what are they?

Leigh Tavaziva: We established an IT upgrade programme as part of the Capita contract. TV Licensing sits in a very old, complex suite of systems and a fairly complex supply chain in which a number of suppliers all contribute to delivery. Even within the Capita contract, there is a supply chain. We set and agreed a programme with Capita about IT upgrades, primarily focused on a website upgrade, but also the campaign management system upgrade.

It has been challenging for us to deliver, Mr Kane. It is behind on delivery—we expect it to be just under two years late—and the reasons for that have largely been focused on some of the complexities around the supply chain, but also we are taking a very thoughtful and careful approach to any upgrades, because it is fundamental to us that we maintain the collection of the licence fee and of course do not create risk in that process. So far, we have been able to handle that very well. We have seen challenges. In relation to the core deliverables, we have now delivered 10 out of the 13 key milestones, so we have seen important progress, albeit slow.

We made a number of changes to manage that programme. I meet and was meeting very regularly the CEO of Capita, so right at the top there were regular interventions raising escalations on whether the programme was delivering and where the issues were. For example, we have situated all the supply chain technologists together in the same building. Often, when you sit in different supply chains and different buildings, it can be complex to manage. We have also changed our commercial agreement on the contract so that we now pay only by milestone. That is important because it has incentivised milestone payment of the deliverables and focused the teams working on that programme. It has not delivered to time, and we continue to work on that delivery very carefully. I am meeting the CEO of Capita again this week and regular dialogue at the top of the organisations is important.

Tim Davie: Clearly it has taken too long, but there are two important things to note. First, we have not had any problems in delivery to the frontline and customer service; the customer service scores remain pretty strong for the licence fee and delivery. That is important because you do not want to muck up the basics of delivering for the public, and while we



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have been upgrading, the team has done a good job of protecting and improving that. Secondly, as was just emphasised and is particularly important to the PAC, linking payments to milestones so that costs do not run out of control has been smart work by the BBC team. It puts us in a decent position as we get through those changes—a bit slower than expected, but in the right way.

Shirley Cameron: In terms of the operational side of the contract, we hold Capita to service level agreements. We review those regularly with my team and make sure that where we can identify efficiencies, we do so. We are on the lowest possible tariff for all of our mailings, but Royal Mail prices continue to increase—by 14.4% last year.

The cost of collection that you referred to, Mr Kane, included the cost of making a substantial improvement to the experience for our over-75s customers who are entitled to pension credit. We invested in a new system to support them, which means that we can automatically check their entitlement with our colleagues at DWP and issue a licence. Now it can take two minutes. Previously the process took anything up to two weeks and involved some of our most vulnerable customers having to scan in data and send it around. The new system that we have invested in has much improved the customer experience and we will save money as a consequence.

Q28 **Chris Kane:** It seems really good that you have put milestones in place and you are tying the payments to them. I would hope that with hindsight you would say, “We wish we had done that at the beginning of the contract in the first place.” Is there a lesson for future contracts to do that? You are halfway through the contract extension, and you are going to want to do something in a couple of years. Will that be your new way of operating those contracts?

Leigh Tavaiva: It is a fantastic point, Mr Kane. We made those changes in the milestone plan when we had already seen delay in delivery, so we did that part way through the upgrade programme. If we had been clearer about doing that from the beginning, we absolutely may have seen a slightly different outcome.

Q29 **Chris Kane:** Okay. How is Capita incentivised to increase sales and reduce evasion?

Shirley Cameron: It is not. We do not have revenue as a target for it. We do not believe that that would be helpful to customer service or our reputation. Our service levels are around customer service. We monitor our SLAs in terms of how quickly calls are answered and satisfaction that our customers express. For instance, customer satisfaction with our field force is at 4.9 out of five, and on average across all our activities it is at 4.7. We want our customers to be well looked after. We want efficiency in the process, and we make sure that it is providing the service that it needs to. That is our clear outcome. We are not incentivising it to drive prosecutions or aggressively to make sales.

Q30 **Chair:** Why is there a conflict between good customer service and

encouraging and incentivising? Capita is employed to try and get the money in as a key part of its terms and conditions. Why is it a conflict to encourage it by financial incentives?

Tim Davie: We all have the group target for revenue, as we have talked about earlier. We are robust, and I say that having run quite a few commercial enterprises. It is fixed and clear, and the BBC is a very different place from where it was in terms of driving against targets. We all have experience of a commission selling environment and a commercial enterprise going after subscribers. That does provoke certain behaviours. It is a fair challenge, but there is a balanced point, which is, "What kind of customer experience do you want from the BBC?" The call we have made is to incentivise the whole group together and work together against targets, and not to have incentives driving against prosecution numbers or things like that, which could drive the wrong behaviours. I do think behaviours are directly linked to incentive. It is something we could debate, but on balance, I think that is right for the BBC.

Q31 Chair: Some customers who are paying, and see others not paying, might think you might provide a few incentives to encourage the others not to pay.

Tim Davie: I agree. I think it relates to our earlier discussion about how we need tough, fair enforcement. Any system needs that. I think we have that; this is just a nuanced and balanced call, in terms of the individuals and how we communicate. To be fair, if you look at the way we are chasing up on "no licence needed", those people who are evading, and not "no licence needed", are being followed up pretty robustly. Separately, we also have to make sure they are being treated fairly through the process, and there are groups in there that we need to make sure are properly treated. It is a balance for the BBC.

Q32 Chair: You mentioned knocking on doors and made a slight comparison with what we do occasionally as politicians. There is a difference, though, isn't there? When we knock on a door and say, "Can we have your vote?" we are not always greeted with a friendly smile, but if someone knocks on the door and says, "Can I have your money?" the reaction may be a little stronger. Is that becoming a challenge—about public reaction and, potentially, the safety of the people who go out there to do that?

Shirley Cameron: We take great care of our visiting officers. We have safeguards in place to make sure that they are safe and we know where they are. They all wear body-worn video. If they get into difficult circumstances, that is how we protect them. The situation is more likely to be that there is not an answer, rather than that there is one that is sufficiently unfriendly.

Chair: Just getting people to answer the door is becoming a challenge.

Shirley Cameron: Yes.

Q33 Chair: Sometimes, it is a bit difficult for people in certain circumstances to understand whether they need a licence. Perhaps it is something you are



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focused on, in terms of the explanation and education point. People often say, "I have a licence at home. Do I need one at work as well?" Students, in particular, will say, "I have a licence in one home," but they might live in a multi-occupied block. Do they all need one? Do some of them need one? Can that situation, which is quite common, be clarified better?

Shirley Cameron: We are constantly trying to improve the way we communicate that kind of situation. We have a number of places for people to go to find out whether they should be licensed. They can go to our website or they can call in—the number is provided on our correspondence. Sometimes, it can seem complicated, but it is usually pretty straightforward. For students, the example you gave, we have a campaign—it is happening around now—where we try to make it clear to parents and students what their licensing situation needs to be.

Q34 **Chair:** So you are targeting freshers' week and things like that.

Tim Davie: We do a lot of communication, although I take the point. It is also a very good point as we go to the charter and look to the future. Part of the assessment is, "Can most people understand it? Can we communicate it clearly?" I have to say that if you go to the TV Licensing site, it is pretty clear. I take your point, but we are doing quite a lot of work to make sure it is clear.

Q35 **Chris Kane:** Tim, do you foresee a world—maybe not for this charter, but perhaps in the future—where we move from household licences to individual licences, given that the younger demographic, in particular, think like that? We are all used to having subscriptions for apps that are based on us as individuals, not as households. Given that households and their dynamics are changing—

Tim Davie: Of course, and the world is changing. It is a bit premature for me to second guess what is going to happen. I think there is a big moment for the UK. We need to decide whether we are going to move people to a digital world, and the transition. That will, for this Committee, be across a whole load of services. We have talked about the cost of postage today. That leads you into a world where the relationship between usage and payment can be explored in a more connected way. Maybe I am being old-fashioned, but I think there is still something about the household and you getting that licence together. I think we need to reflect on that before we give it up.

To your point, I've got 99 problems; this one ain't going to be fixed in the next three or four years, so we have to work on a system where we have this hybrid world in which some people are connected to the world you talked about, directly, and we will still have quite a lot of broadcasts going on for some time. We need to fix that and work out where that is going, but meanwhile build the digital backbone so that we are clear about individual usage over time. That will then provide, if nothing else, optionality.

Q36 **Sarah Green:** In 2024-25, the BBC reported cumulative annual savings of £564 million—which I should congratulate you on.

Tim Davie: Thank you.

Sarah Green: My question is: how do you monitor the risk of the quality and delivery of BBC services being impacted by savings initiatives?

Tim Davie: Absolutely. Leigh might want to talk a little about this, but welcome to the very heart of most of our planning and thinking: how do we move money around the BBC? It is worth saying that a lot of the savings you hear about are not just about the lack of inflation on the licence fee; they are also about the senior team wanting to move money around the BBC. About two thirds of it is just moving money around the BBC to where it is most effective, ensuring that our public service broadcaster is not left behind on the iPlayer—which just happened to be the fastest-growing SVOD service last year.

We do a vast amount of work—and I am obsessed by this—on linking up the movement of money to the creative work we do and the impact of that on households. Simply put: how many people are using it weekly, and what value do they ascribe to the BBC? We have quite sophisticated modelling. We do 31 or 32 dramas a year. If I can free up money to do 40 dramas, we can measure the impact on usage. That is assuming some things, by the way; unlike building a bridge, where you know what you are getting, some dramas work and some don't—welcome to the world of television and creative work. But our forecasting is pretty good.

In the last few years, for instance, we have been doing a few less hours on television, but we have been moving money to make sure that its potency delivers the audience numbers we need. That is what we are doing all the time with our savings plan; we are making sure that we have enough frontline content and product development to ensure that we are relevant. I think we are quite sophisticated. I have to say that other public service broadcasters around the world are coming to us and saying, "How on earth are you playing this game?"

I have been aggressive in saving money and cutting headcount, and I am proud of the progress we have made over the last five years—the NAO can speak to that as well—but we are still facing a situation in which it is our budget versus those of the behemoths from the US and others, and they have been accelerating their pricing to a point where we do believe we are underfunded, in terms of having the horsepower to maintain these types of numbers. We have defied gravity a bit in the level of savings and efficiencies we have got. So that is a big question for the charter. I have gone a bit beyond your question, but we are monitoring that impact all the time. Leigh can talk about the savings in detail.

Q37 **Sarah Green:** Is there anything that you want to add to that, Leigh?

Leigh Tavaziva: To build on what Tim is saying, our entire savings programme is also monitored through our audience scorecards, which we look at monthly and cover a range of figures. We also do market testing. To answer your question on quality, on the question, "Does the BBC continue to deliver quality content?", just over 60% of our audiences

continue to say that it does, and they have said that consistently over the last few years of the data we have.

That is a good measure for us, but it is becoming more challenging. When we started our savings programmes at the beginning of this charter, 50% were about productivity efficiency. We have seen that decline as we become more efficient as an organisation. Of course, that efficiency drive does not stop. Technology and process improvements will continue to give us further opportunities to look at, across the group as a whole—in both our public service organisation and our commercial organisation—to increase profit margins.

We have always held the view that audience-impacting cost savings are the last resort. We have tried to focus the organisation largely on productivity efficiency, but, particularly more recently, we are now having to take more around scope cuts and what we call remixing of our content. That may be making choices within a division, such as our TV content division or our radio division, about what programmes are not delivering audience value and what programmes we could develop to create more return on investment—that is a key measure that we use—and drive greater audience value. Our choices around specificity on programmes in that remix are also related to audience feedback and how we make sure we drive value for audiences.

Tim Davie: This is fascinating. I am not looking for sympathy, but it is particularly difficult at the BBC, because you have multiple metrics, by definition. Let me explain what I mean. If you are running a commercial business—such as when I was running BBC Studios—and there is no chance that something is going to make money, you close it. The wonder of the BBC is that we cannot just look at the best return on investment in terms of audience, scale and numbers. Otherwise, you would just spend all your money making factual entertainment, and you would not do the precious Gaelic service. You are balancing delivering your purpose as the BBC and, within that, being as efficient as possible. This is tough.

Everyone will have a view on “Newsnight”—I am just picking one example. We have tried to say, “We think we can do this more efficiently,” and there was a lot of debate about that—I am a “Newsnight” aficionado. The good news is that the audience has grown by 24%, but we did take some money out. I have to make sure that we are protecting the broader investigative journalism across the BBC. They are the kinds of conversation we have.

We are constantly trying to work out how we can ensure the critical things that the BBC does, such as fully staffed journalism across the world, and make sure that all local radio and our regional imprint are whole and we are not having to cut back on that. I have to say that it gets tougher over time. Disinvesting in the BBC is a real mistake in terms of the venture capital for the creative industries—let alone the value to audiences. That is another speech, but to your point, we are looking at those metrics in the round all the time. We have a very smart set of people. Pretty much all of them in the top tier have significant commercial experience, but they care



about public service broadcasting. That is the culture we are trying to create.

- Q38 **Sarah Green:** Can I ask about BBC Studios, Leigh? What does a five-year financial returns target of £1.5 billion mean in practice, and how is it measured?

Leigh Tavaziva: We measure commercial returns to the BBC, from the commercial business to the public service, every year. It is made up of a number of items. Primarily, it is the dividend payment that comes from our commercial business to the BBC Group. Studios is a wholly owned subsidiary of the BBC, and we take a dividend payment into the public service. The other major component is investment in programming that Studios is making and supporting—effectively, making and producing programmes that are commissioned by the public service. That is also a significant part. There are other small component parts—a brand fee, for example, and other small component areas—but those are the two major ones.

It has been approximately £300 million a year on average across the last few years. In the first three years of the five-year commitment, Studios has returned £1 billion, so the £1.5 billion will take us to the end of the charter. If you are looking at £300 million a year, you can see how we would then achieve the £1.5 billion.

- Q39 **Sarah Green:** Are you on track to hit that?

Leigh Tavaziva: We are absolutely on track.

- Q40 **Sarah Green:** I have quite a specific question for you, Tim. Will you commit to publishing the returns value from the commercial group each year, along with an explanation of how you calculate that figure?

Tim Davie: Yes, no problem. We had a little dance at the CMS Committee, and there is no problem with us sharing that. Even this year, '24-25, dividends are at £161 million. This returns number is quite strange—that does not mean it is strange in a bad way. It is a bespoke number, but it is important. As a shareholder, you are getting the dividend from the commercial subsidiary, but you are also getting investment in programming, plus some other things. We are happy to break that down. We are also being very clear about EBITDA and cash. There is nothing that we cannot share on that.

- Q41 **Sarah Green:** Going back a step, is that £1.5 billion target ambitious enough? If BBC Studios is doing as well as it seems it is, are you being ambitious enough?

Leigh Tavaziva: It is quite an interesting question. Certainly, on investment in programming, BBC Studios has to pitch to the public service for programming. We would love to see it make more, but of course we have a responsibility to go to the whole market, so there is a competitive tension there for Studios to make that investment in public service. Absolutely, we would love to see that grow, but it needs to grow in the



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right way, and we would not just be giving it to them; that is really important.

On dividends, there is a really interesting trade-off. When we take money out of Studios into the public service, we are not reinvesting in our commercial business to grow, and we have ambitions for our commercial business to grow. We have seen its revenue double since the beginning of the charter: it was £1 billion; we are now at £2.2 billion. We have ambitions for that to continue to grow in the next charter, but that does need capital—any commercial business needs capital to grow—and we have very important and long discussions at board level around capital allocation across the group. At the moment, we are taking more money out of our Studios business into the public service than we are leaving behind for it to reinvest.

On the dividends line, yes, we can continue to take everything out of Studios, but we need to balance that where we can drive the greatest value from the capital that we have across the group.

Tim Davie: I think doubling revenue and seeing the profit performance we have seen is shifting for the commercial arm of a public service organisation; I am fiercely proud of it—I mean, to get to £2 billion turnover. Leigh was touching on some very important things for the financial shape of the BBC. We are very ambitious for Studios. I can see further growth, although there are headwinds in the market more generally, as you will have seen from other businesses. The chill winds are blowing on the production sector a bit, and it is tough.

One of the things the BBC Studios business has is diversification. It has BritBox in the US. It has the rights, dare I say it, to “Bluey” around the world, which has been rather triumphant. It is quite a broadly spread business. But Leigh touched on something very profound: how much you take out of the commercial arm—frankly, is it propping up the public service operation to deliver the numbers I have talked about that sustain the licence fee? There is a direct link through to that—versus long-term investment for the shareholder, otherwise known as the British public, to build the enterprise value.

Some of the investment cases we look at—if you are delivering a video-on-demand service globally, some of those companies, from what I know, are not fully out of the woods in terms of profit after many, many years. We have to balance the need for the public service and what it requires in terms of dividend against the long-term growth of the commercial arm and building a world-leading enterprise that creates enormous value longer term for the British public. We should be fiercely proud of it. That is the balance we have got to get, but I think we can keep growing. I really do. I am very bullish about BBC Studios.

Q42 **Sarah Green:** I have one last question, about the value of the BBC brand and how you leverage that. It must be nigh on impossible to put a value next to something as ephemeral as a brand. How do you leverage that brand in your commercial—

Tim Davie: Spend time with BBC Studios and you will see enormous—I mean, we have created a £2 billion business on the back of the brand, bluntly, of BBC services. BritBox with the BBC in the US is a very valuable business. They are all based on the BBC brand.

Now you have asked, there are a couple of things that I think are quite interesting. Many people push us and say, “Why don’t you just launch the iPlayer globally?” Well, go home and look at the iPlayer. Most of those rights—sports, local programming—are not available globally. It would be a massive investment to do that, and we have to be clear. Talk is cheap; business plans need to be robust and clear. I am very bullish about our plans for dotcom, but the economics of news do not look good globally. What is the right plan to break even, making sure the World Service is properly supported, and so on?

I do not think any of this is easy; there is no simple pot of gold. Having said that, there is not one activity that I can think of—production, supply, everything—that is not dependent on the BBC brand. Someone probably can calculate it, but it is pretty incalculable as an asset for the UK.

Q43 Chris Kane: I also offer my congratulations for what you are doing to monetise your existing content and your focus on digital. To pick up on things we were talking about last week in the CMS Committee, which was around creating new intellectual property, of your most profitable programmes last year, I think only one in 10 was IP generated by Studios. Is that correct?

Tim Davie: I think that was ’23-24. In ’24-25, three of the top 10 most profitable titles were IP generated from BBC Studios.

Q44 Chris Kane: This may be a daft laddie question from me. Set the scene on what the difference is between a “Doctor Who” brand, in terms of its potential next year, versus something new: IP that you create that grabs everybody’s attention—the next “Doctor Who”. What is more valuable to you longer term: creating more IP or exploiting what you have?

Tim Davie: Both of those sound pretty attractive to me. That would be a nice problem to have—that is my first reaction to that question. It is probably impossible to answer the question directly, because it depends on what shape the IP is—is it children’s or something else? I absolutely take your point, and your questions were well taken at the last Committee. The BBC’s ambition is not simply to be a publisher, and the value that we can bring by owning IP is significant.

If you look at something like “Strictly” globally—otherwise known as “Dancing with the Stars”—it gets hundreds of millions of dollars in revenue at a decent margin. This is a broader subject, and relates to a number of UK challenges, but I am slightly worried, in our industry, about how thick our share of the economics is. We celebrate production quite rightly in the UK, but when you are making a production for someone else, and it is their IP—or if they claim the IP—you are making quite a thin margin. Where you are making a real margin is in IP.

It is a really good challenge to say, “Can the BBC produce more fresh IP?” I have been quite demanding of that, because we could do more. We are tracking now how much of programming is delivered. We want to help indies and the good companies that make much of our drama, “Traitors” or “Race Across the World”, but we also want to own, for the British public, our own productions and IP. Today, that stands at 31% of our programming. I would like to see that number go up—we should be getting it towards 40%. We have hired in to BBC Studios new people who are chasing fresh IP, and I would like to see more “Doctor Who”s, not less.

Q45 **Chris Kane:** How do you do that?

Tim Davie: If I could answer that, I would be a very wealthy man. I am not being facetious, but—

Q46 **Chris Kane:** No, I do not think you are, but I will take the point that you could have 10 duds or 10 phenomenal successes—it is a risk game. You have the job of trying to work out how to do the risk-reward thing, so I suppose I am trying to interpret how you do that.

Tim Davie: It is all about people. It is all about talent. The BBC has to get there early on in the game. You will have all seen that if you are sitting on “Lord of the Rings”, it is very difficult for the BBC to buy that title or the IP. We need to be out there shopping for UK partners, UK writers, people who can build IP in the UK, and those who are like-minded. The “Bluey” team in Australia saw the BBC—it was to do with the brand, by the way—and that has created enormous value for us.

The simple truth of the matter is that it is all about people, and making sure those people are given the headspace to go after it. To your point, I wish I had more predictability in my life sometimes when it comes to so-called hits. It is a spread-betting game; you are just trying to reduce the odds by getting the right investment and the right people in place.

Q47 **Chris Kane:** I will push a little bit more on this. I love the vision and where you are going, but we are trying to get at putting in the policy to underpin the vision. You are not meeting the targets that you have for new IP at the moment. What will you do to turn that bold and welcome vision—

Tim Davie: First, the person leading—the CEO of BBC Studios production—is new in and a fantastic executive. He is hiring in different people. We are absolutely looking at this separately. It links to Leigh’s comment about capital for Studios. One of the things we can do is invest early with people, buy UK IP and grow it together. We are actively on the hunt and working on that. We do not want to see all IP drift beyond the UK and be wholly owned by, frankly, largely big US companies. That is bad news for the UK public. That is what we have to do.

The other thing that we are very lucky in is that we can take a bit more risk. Because we do not need every slot to pay out in advertising terms, we can take some swings.

Q48 **Chris Kane:** Can you talk about the leadership role that the BBC plays?



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We have seen a huge debate about AI and how it is interacting with the creative industries. What do you see as the BBC's leadership role in ensuring a fair creative world that is profitable for everybody, including the BBC?

Tim Davie: It is a big question, and I do think we have a role to play. There's a number of strands to that; it might soak up a bit more time than we have. First, it is about how we ensure—this is a conversation that goes way beyond the BBC, but the BBC can be a leading actor in this—that you are protected, if you are a creator in the UK, in terms of unfair use of your IP, and what the system is. I know that the Government are working on that. We are very active in that; we believe that people should be fairly paid for their IP. That is the first thing—what the system is—and that is work in progress as we speak.

The second thing is how we ensure when we are dealing with the big language models—as an entity, you will have seen us having very active conversations with some of the big players—that we are fairly represented, that we are looking at the right commercial deals and, critically, that the information they serve up is valid. We have had a number of issues on that, but we have successfully addressed a number of issues. They are the big things in terms of us being a lead player in what the regime is. We are not going to do it alone, but we can be a role model in terms of the regime on AI.

We are also, finally, highly innovative and using AI; there are not many people in the BBC who are not using AI now. The issue is how they are using it, whether they are using it on their terms, how we can improve the media supply chain and how we make programmes, and how we can increase the impact of our journalism and recreate it for formats. The other thing is that we can be a world leader in how AI is used innovatively, and we could spend a bit more time on that.

Q49 **Chris Kane:** We could, but just to expand on that, it is about not just AI but the leadership role, and ensuring that as we have more domination from—let me be charitable—an American approach to dealing with the creatives that is different from how we would do it—

Tim Davie: That is the discussion that sits with DSIT and DCMS about what the regime is for usage of AI, and clearly we are—

Q50 **Chris Kane:** I do not mean AI; I mean more generally, as we have more streaming players and more of an Americanisation of the way that we are approaching creating content.

Tim Davie: Once we go beyond that, there's a number of utterly critical things for the UK in terms of preserving public service broadcasting at scale, and the iPlayer being part of that. There is a whole load of levers that are necessary in terms of prominence and tax incentives—we could spend time on each of these things. If you look at the public service media plan from Ofcom, I thought their list was exceptionally good, by the way, of things that we need to do. There is also more collaboration, how many players we have, and how many advertising houses we have in the UK. In



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all those things, we need to get competitive, and the BBC can play a leading role in that. We are about to go to the big biannual industry shindig in Cambridge, and that is absolutely what we are talking about—how do we get growth together? The BBC can play a really big role in that, but it does need support to do that.

Chair: Blake Stephenson is going to ask some more questions about commercial investment. After that, we will take a short, five-minute break, and then come back for further questions.

Q51 Blake Stephenson: I have a couple of questions for Leigh on sustainable returns. How do you ensure that your commercial investment decisions maximise sustainable returns for the BBC?

Leigh Tavaziva: As a commercial business, there are clearly what we call hurdle rates—rates of return that we expect for any investment that BBC Studios is doing. It is also worth remembering that we are now using debt capital for some of our investment, and of course then the expectation is that we must demonstrate return on that investment and our ability to see growth in that. Hurdle rates—rates of return—are critical to all investment decisions that come up through the commercial board, or through the investment committee and in the commercial board, and are made at the BBC. We will also review them as a group as a whole to hold them to account and deliver against those.

Q52 Blake Stephenson: I am glad you mentioned debt. Borrowing limits went up in 2021 from £350 million to £750 million. Those are very large numbers—perhaps not if you compare them with some of the US behemoths that you are comparing yourself to, but very large numbers none the less. Borrowing costs have gone up significantly since 2021. How are you using the increased borrowing limit to drive returns? What are your thoughts on risk around borrowing and the extent to which you intend to use that limit?

Leigh Tavaziva: We agreed that increase in the debt limit in step changes. Our current limit is £600 million and it gets to £750 million. We report regularly to UKGI, which assesses our performance. That is an important part of the process. Sorry, I have lost the question.

Q53 Blake Stephenson: What are you using the money for in order to drive sustainable returns for the BBC?

Leigh Tavaziva: Thank you. We have made a number of key investments. We have seen the benefit of wholly owning BritBox International, which has been incredibly important to us in our financial results in the last year. We also continue to invest in a number of independent labels to varying degrees, some wholly owned and some partially owned. We have also seen investment in dotcom. When we look at what we call our direct-to-consumer services, dotcom has been a big part of the investment story.

We tackle it across both our content studio investment and our streaming business. As Tim was saying, we have a multiple approach. We do not put



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everything in one thing. That is important because different things perform at different rates. The international investments in dotcom and BritBox International have been very successful, down to the results of BBC Studios in the last year.

Tim Davie: I have two quick things. One is that we have a very robust commercial board that has huge experience. The answer to your question is utterly robust business cases with clearly articulated targets delivering return investment and then a management team that is held to account.

My second point is that the record of Studios is not bad on delivering—he says defensively—because, if you look at acquiring half of UKTV, which was a significant investment, and buying half of BritBox off ITV, I would say that the record of transactions has been highly accretive to the UK public in building the asset. We have business cases to which managers are held to account, like any, dare I say, normal business. It is absolutely as you would expect and very robust.

Q54 Blake Stephenson: Yet the dividend paid by BBC Commercial Ltd to the Public Service Broadcasting Group was lower than last year. What is your explanation for a lower dividend?

Leigh Tavaziva: We have been making decisions about dividends declared versus the cash dividend paid. While Studios is in a debt position and public service is in a cash position, there have been times where it has been more relevant to look at the cost base across the whole of the BBC and to retain the cash in Studios—interest payments are lower and we do not need the cash in public service. While we declare the dividends, we have been making changes around cash payments made from Studios into public service. That will account for some of the challenges that you are seeing.

However, we are taking a lot of money out of Studios at the moment. We deliberately made that decision. It was well debated across the executive committee, the commercial board and the main board. We continue to believe that the best use of capital for the whole of the BBC at the moment is to invest in public service, particularly to ensure that we can continue to maintain our audience value. But that comes at a cost because we are not reinvesting in our Studios business.

I expect to see that conversation continue. We need our Studios business to represent and to demonstrate that it can drive value that is greater than what we can get from that capital and cash in the public service. That is part of our expectation for Tom Fussell and his team—to put a plan together that demonstrates strong growth and strong value creation. Then we will have a discussion about where that capital is best used across the organisation. Right now, we are taking the majority of it into the public service. That is not sustainable for delivering the growth and the ambition that we have for commercial. But that debate is important and will continue.



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Tim Davie: This is really important, because the annual dividend is one metric of success. Are we investing to build the enterprise value over time or the capacity for something bigger? Sometimes you cannot get that return going within 12 or 24 months. You have to make quite nuanced decisions. To the point about capital allocation across the group, I think we are more sophisticated than we have ever been. To the earlier conversation, we need to ensure that the UK public get enough content in terms of sports rights.

Meanwhile, we do not want to, frankly, for want of a better word, milk the commercial arm to the point where it does not have the flexibility to invest against long-term value creation, which does two things. It builds, obviously, the enterprise value. It also builds the engine itself, to throw off more dividends over time. That is constantly being debated—that balance between short-term return. There is also a good and healthy degree of tension—it is not conflict; it is a natural tension—between the commercial arm and the public service group, where I sit with Leigh, to ensure that we are getting that balance right.

Q55 Blake Stephenson: One final question before the break. How comfortable are you with the level of borrowing, given the rising costs of borrowing? How comfortable is the board? Do you have any concerns whatsoever to share with the Committee?

Leigh Tavaziva: I think we are very comfortable with the current level of borrowing that we have in terms of our ability to repay it and meet any obligations that we have. It is something that we monitor very closely, particularly at the commercial board, given our banking obligations and others. We are very grateful for the increase, of course, to £750 million, and we believe that we need it. We have ambitions to be able to reach more. If we expect to be able to grow the commercial business like we can, we think that more capital is going to be required. We will continue to engage in those conversations with both DCMS and UKGI as we go through.

Tim Davie: In the short term, we do not have concerns. We are across some of the costs. I just want to emphasise our gratitude: we are really pleased that we got there.

Q56 Blake Stephenson: You mentioned “in the short term”. Are you concerned in the medium and the long term?

Tim Davie: I am not concerned. Sorry—let me take the time. Good pick-up. I am not concerned. I want to emphasise Leigh’s point. On borrowing, I am not trying to get to the US level or anything close, but if you look at an average commercial enterprise in terms of its gearing, we are still very low. That is not a plea for increased risk, but—to emphasise Leigh’s point—we should be investing in UK success stories, and there is a further conversation to be had about whether, if we have those business proposals, we should be investing and ensuring that we have the facility to do that. I think that we will constantly want to push a little bit on that, because there are some real opportunities here.



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Chair: We will now have a short break until 4.50 pm, which gives us precisely eight minutes. Could everyone make sure they are back by then?

Sitting suspended.

On resuming—

Chair: Thank you all for being back on time. We will now move on to look at future challenges for the BBC.

Q57 **Michael Payne:** Mr Davie, the annual report and accounts show that you are meeting or exceeding your headline audience targets, which you should be commended for, but how do you set these targets and how do you ensure that they are sufficiently challenging? Given that on every metric of the different headline audience targets you have set, you are meeting or exceeding them, are they sufficiently challenging? How do you set them?

Tim Davie: We spend quite a lot of time on this. First, we built the targets. When I took the job, the key question was: what level of usage do we need to deliver to ensure support of the BBC and the licence fee? That is at household level. And this was done by the research team and is scientific. We said, "Okay, if we get 80% of people using us a week and over 90% in a month, we broadly get the support."

We then looked at the level of time spent, etc. I am really pleased that over the last five years we have been managing—despite the phenomenal competition and the almost infinite choice when you get home of an evening—to maintain most of our numbers. They are set with the agreement of the board, who put us under some pressure to stretch those numbers. If you are a board member, we present the targets. We say, "This is what it will result in."

If I may say so, some of the targets are still quite tough to get to. Particularly among 16 to 34s, we wanted 70% every week; we hit 67%. I would say this year that number is under pressure, so I don't want to gloss everything. It is really tough to ensure that you are relevant to every household when they have so much choice.

That is how we set the targets. There is an annual plan. They go to the board. They are endorsed. We debate them. They might argue, as you would, against one number and say, "Look, you need to be more aggressive." That is the kind of system we have. It's a fairly good system, I think.

Q58 **Michael Payne:** To go back full circle to where I was earlier on maintaining the trust of the British public, reach and relevance are clearly critical to that. Dr Shah, the chair of the BBC, said at the CMS Committee evidence session last week that "we are really working hard at how we improve our content so that we speak to a variety of people." He went on to talk about the issue around portrayal and said that how "we portray groups across the country, in terms of representation" was for him a critical point. He drew a link between people having trust, in terms of



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reach and relevance and seeing themselves reflected in the BBC, and then perhaps wanting to pay for the service.

Off the back of the point that Dr Shah made, but also the points that you have just made, Mr Davie, what does the BBC's sociodemographic data reveal about the BBC's reach and relevance, and how do you plan, based on what Dr Shah said, to engage audience groups that perhaps you are not reaching in a way that you would wish to?

Tim Davie: It is an absolutely central question, for a universal broadcaster, that our value is spread equitably across every geography, socioeconomic group and different community. We track our data across all the groups. If you take the percentage of each audience group who think the BBC is effective at reflecting people like them, the good news is that, broadly speaking, the differences are not as extreme as you would think. But you can see differences. We have traditionally been a little bit behind in areas like the north of England. The wonderful thing—this gives you some indication—is that we saw an uptick in 2024-25. All the work we have done in Salford—it's not just that. It's the dramas: you will have seen a noticeable shift in dramas being based in the north. We have got 60% of our programming now outside the M25. This does have an effect on how people see us. That links also to community and socioeconomic groups.

In terms of how we address the problem, I think there are a couple of things. One, as I have said, is to move more of our output around the country, so that we get different perspectives and flavours, which is absolutely right. An area that is slightly slower and more demanding for us is changing who works at the BBC. You asked me what drives these things, and I think it is having a sensibility within the organisation.

This is a broader issue in the creative industries, and we are better than pretty much everyone, but we are still behind. We absolutely set targets for the organisation, whether it is for BAME or people with disabilities, but the socioeconomic mix in the media sector has been the hardest one to move. If you look at lower socioeconomic groups, we are just under 21%—something like that—but the figure for the population is in the mid-30s. It has always been so in the industry.

Going back to your point, I can give you the metrics for any of these groups on their overall usage of the BBC and their attitudes towards the BBC—we repeatedly track those at executive level, and we are very clear on them. It is reassuringly spread, but there are issues within certain communities and certain places where we do not get quite the numbers we want versus the average. The factors include making our content differently. I was in Birmingham last week, and we have moved the Asian Network and a lot of programming there—you will see Birmingham all over "Silent Witness". That changes appreciation among different communities and groups, and that is what we have to do.

Q59 Michael Payne: Do you think there is sufficient effort, from yourself and the board right down to all the staff? You are clearly tracking these things.



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You hear from focus groups, as you would expect in any organisation, but do you think there is sufficient effort from you and the board, all the way down through your staff, to get out and listen directly to the amazing variety of communities and places across the country?

The BBC is clearly the sum of its parts, and the sum of its parts is the great British people. They do not exist in just the big metropolitan cities and London; they are in the towns and cities that we all represent as MPs. Do you think there is that drive among your staff to get out there and hear directly some of the frustrations and questions that people might have about whether they feel reflected and represented in the content they see on the BBC, and in how the BBC is managed and led? You are speaking from the heart, and I can see that you are clearly passionate about it.

Tim Davie: We can always do more. I think the BBC is absolutely at the races in pushing out of London and going out there. I spend a lot of time in every city from Nottingham to Stoke—it was lovely to see the PM candidates' debate at Nottingham Trent. It is a "yes, but" answer. I think you cannot meet anyone in the BBC who isn't completely committed to doing that. Look how far we have gone, but my chair and the executive are rightly pushing me harder by saying, "This is great, but we need more power outside London." I think 40 of our 90 commissioners—I will need to check that—are now outside London, but how many of the really senior ones? We have more to do to meet the chair's challenge, and he is rightly pushing hard with the board to say, "This is a mission-critical thing."

There is also something deeper that we will all recognise, which is that if institutions feel distant from people, societal trust begins to erode. I have talked about this at length in speeches, and I am really worried about it. There is a burning platform for institutions to be connected. Within that, of course, is local provision. I always ask, "What is the biggest television programme on BBC One every day?" And it is the regional news, pretty much without exception, unless "Strictly Come Dancing" or "The Traitors" is on. That becomes incredibly precious for us.

We are at it. Could we do more? Yes. Will you see more pushed out of London? Yes. As we go to charter renewal, are we looking to put more power out of London? Yes. We just have to do more of it.

Finally, we are doing a lot of research. We are out there speaking to a lot of people. I don't think we are in an ivory tower, but we could do more. There is a worry that an office or production centre can be geographically relocated but still be in the bubble.

Q60 Michael Payne: That point about connectivity is crucial. I have seen it. My constituents often tell me that BBC Radio Nottingham is their only friend. They have lost a partner, and they listen to the radio every day. It is critical that we do not lose that local content, because it provides that connectivity and sense of belonging in a country in which people might feel distant from decisions that are being made. I am glad to hear that reflected.

Chair: Local radio in particular is still a lifeline for many people. It may



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have an older audience, but it is something that they really value.

Tim Davie: There is absolutely no dispute about that. I am very clear on it. I am pleased that RAJAR is in local. This is very sensitive, because we kept the money in local. I know that there has been a lot of debate, but one of the things that I would say is that it did need more money in online journalism, making sure that we have full local provision.

I hope, coming to the charter, that we see the investment so that we can keep supporting and growing our local provision. I think it is critical for local democracy. I am worried about the state of local media. I think the local democracy reporting service has been strong. This is a whole discussion, but I could not agree with you more, and I think the chair would be very supportive of the remarks that you just made. I think we need to step up.

Q61 **Chair:** This is just a passing comment: in Sheffield, local means Sheffield. It does not mean buying in something from Leeds.

Tim Davie: One of the things I am extremely cautious of is a Londoner turning up and lumping anyone together in one geographic unit. I have learned to my cost a couple of times that that can hurt. Gateshead ain't Newcastle—I've got it.

Q62 **Chris Kane:** You mentioned local democracy reporters. What are you doing to ensure that local democracy reporters are truly local? A lot of the problems in local media mean that local media is getting bigger in terms of the areas that it serves. How are you ensuring that local democracy reporters are actually in the areas that they are reporting on?

Tim Davie: They are very well distributed, but the current system, as you will understand, is demand led, so people are drawing that down. To be honest, I think it is fair question again for the charter. How do you keep improving it? I am very pleased with the scheme, but I think there are things that we could look at in terms of who is using it, what is the depth of provision, and how we could make sure that it is working even harder for us. That is going to be one of the questions. How geographically spread is it? How interlocal does it go?

Q63 **Chris Kane:** The observation that I would make is that you could, in theory, provide a basic level of service in my constituency of Stirling from a desk in London. It would not be a great service, but you could provide a basic level of service. That sense of embedding local democracy reporting within a community, which has been the bedrock of local journalism for decades and decades—

Tim Davie: I don't think we are looking in any circumstances at a load of people sitting in London. I think the issue is what media organisations they are serving, and whether we are making sure that they are really useful to the local papers and the smaller outfits. That is really important, but I totally take the point. A whole load of people sitting in London ain't going to get to the issues that we are talking about.

Q64 **Chris Kane:** My worry is more a load of people sitting in Glasgow or



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Edinburgh covering Stirling and Perth. That is my worry—that as you push things out from London you do not continue to push them out further.

Tim Davie: Then you get into the question: how big is a hub? This is a well debated topic. I think that we would need more investment to push out even further. The other thing is that, if you are a junior journalist coming in to work with us, there is validity in being part of a hub and learning from each other, so there is the balance.

Q65 **Chair:** I had a phone call just at the beginning of this meeting from Lucy Ashton, the local democracy reporter in Sheffield. She certainly is based there, I have to say. It is very welcome, given her local knowledge, which is really important.

Tim Davie: Absolutely.

Chair: Let's move on to the issue of younger people in the audience.

Q66 **Sarah Green:** How concerned are you that only 51% of those aged 16 to 34 feel that the BBC reflects people like them?

Tim Davie: It is a really significant challenge. The BBC constantly has to say, "How are we relevant to that audience?" How do we make the case, but critically without losing our values? I do not need to tell you that we are seeing this incredible ballooning of content—much of it, as you know, polarised and not based on the editorial standards that we would expect.

A couple of things. One, we are concerned about it. Two, we are really working hard now. We have the biggest news service, I think, on Instagram. We are working very hard with YouTube now. It is not just about putting our content as it is today on YouTube; it is working with them on what works for that audience. It is also about what kind of pressures we are going to put on the services, in partnership with them, to make sure that when you ask about what is happening on a news story they are surfacing providers like the BBC.

I am very concerned about it. We are working on action plans regarding the younger audiences. I think what doesn't work is a massive lurch to youth and trying very hard to be the coolest one on the block. Obviously, Radio 1 does its job brilliantly, and all the things that we see the BBC doing. You certainly come to the BBC when you need a revision service, with Bitesize.

There is plenty. We are not out of the game. I think, however, there is a real need for us to get into third parties, and also make sure—to the earlier question about IP—that we are creating big hits and big titles that attract the audience in. Because frankly, when we are airing one of our really big dramas that appeals to that audience—if we were to drop a season of "Peaky Blinders"—you would get a good audience for that. We need to find the sweet spot, as the BBC, and we are doing a lot of work on that.

Q67 **Sarah Green:** Why is the audience reach target for that cohort lower than it is for everyone over the age of 16? Is there a reason for that?



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Tim Davie: I think it just reflects, to the earlier conversation about the way that many of us will have set corporate targets, that there is no point in putting 90% if you are currently at—

Q68 **Sarah Green:** Fifteen per cent.

Tim Davie: Well, those are different stats, but weekly usage is at 67%. What I need to do is set a reasonable target for that group across all areas of the BBC. These targets then get deployed. If you were running television, radio or news, you would then break it down and say, "Okay—in sport, we want this target." It is very practical. If you are Alex Kay-Jelski running sport, you have your targets that build up, and it ladders up to the overall BBC.

We want to make those targets demanding but also realistic. The truth is that people in that age group are more promiscuous in terms of the amount of media they are using and the amount of choices they have. I would say that it is a pretty remarkable achievement that nearly 70% are still coming every week to the BBC. We are, frankly, the only UK player in the game on this. As long as we get to that critical mass, I remain confident that we can deliver universality. That is what we are trying to do.

Q69 **Sarah Green:** If trying to be the coolest is not the strategy, which may be a very sensible move, what practical steps are you taking?

Tim Davie: Let me give you a real example: who is incredibly popular with young people? Our 99-year-old natural history presenter, who is a legend who they trust. The key thing is to be trusted, and to be absolutely speaking with authenticity. They like people who cut through it and speak directly, so who are the people we are going to attract? The right presenters—the right talent—who can talk directly to young people and who they engage with.

They are also interested in different formats. I do not believe in trapping the public service broadcasting format. I do believe you can do a two-minute thing on TikTok, but actually make sure it meets the BBC's editorial values. That is not dumbing down if you do it right; it just may not be to everyone's taste. I think it is about, "Who are the right presenters who understand that grammar and can deliver that?" We are learning that, and I think all traditional media organisations are doing that. What I don't think you do is lurch into trying to take on a TikTok influencer at their own game. That is not what we should be doing.

Q70 **Chair:** Do you think there is still a feeling that it's Auntie BBC, and that it is a bit paternalistic, and young people do not feel comfortable with that?

Tim Davie: I don't think so, actually. I actually think that, when I was growing up and we were limited to three or four TV channels—I am that old—then you could say there was a bit more rebellion in saying, "I don't want to be forced to watch these things." Actually, with the market now, they have infinite choice, so I do not think it is necessarily an anti-BBC sentiment—



Q71 Chair: I meant “Auntie”, like “Uncle”—you know, the paternalistic figure.

Tim Davie: Maybe there is a bit of that, but we are not seeing that. What we are seeing is a very simple competitive situation. You used to have three choices of viewing of an evening; now you have almost infinite. What we do know is that, when the BBC delivers European championships, where we all come together, which is incredibly precious for us, or England or Scotland, or—sorry, I am highlighting the national differences here, which is dangerous territory—let’s say the Olympics, where we all come together, that is incredibly powerful.

Young people do not have an issue about coming to the BBC. If Radio 1’s Big Weekend arrives in Swindon or Dundee, it is transformational for the region. I think we have a brand that is trusted, and which so-called young people will come to. The issue is whether we are providing the content and the connection that they want. I do not think it is defining that there is a rebellion against Auntie.

Q72 Blake Stephenson: The BBC has very admirable plans to strengthen its delivery for all of the UK. I am just reflecting on a PAC Report from March 2024 that said that the BBC had “begun implementing its programme without a clear plan and could not readily explain the expected impact and benefits for licence fee payers.” Since you are here, could you take the opportunity to explain the plan, and tell us what the expected impacts and benefits might be?

Tim Davie: The plan is to move £700 million of spend out of London. That is fixed. The forecast is that by ’27-28 we will be ahead of schedule, and we are forecasting £830 million at the moment, which is good news. The actuals to date are £412 million. We have relocated 400-plus FTE people out of London. Within that, I am really pleased about the progress. If you go to Newcastle and visit the tech hub of 100 people, it is transformational. We said that we are going to do 60% of our out-of-London spend on television. We are now at 61%.

At the last Committee meeting, there was a bit of pressure about audio. I am pleased to say that I was recently listening to the Radio 3 breakfast show from Salford, and other titles. I mentioned Asian Network in terms of Birmingham last week. We are now at 46% of network audio—I am not talking about local radio or nations radio stations—spend out of London, so we are well on target to get to 50% by ’27-28. I think we have relocated the right TV titles. We said that we would commission 100 scripted titles, including 20 in the nations. We have delivered that, and the target has been achieved. I will not go further. We have basically hit our numbers, or are going to hit our numbers, in terms of the input side.

Q73 Blake Stephenson: I was going to come on to outputs. How do you measure the benefits?

Tim Davie: There are two major outputs. One I think we have covered a bit, and we’ve got all the numbers. It is the perception within a region of the BBC. I mentioned the north of England, for instance. We are seeing significant improvement in ’24-25 as we deploy more output. The one



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o'clock news is now coming from Salford. "Breakfast" and various dramas are coming in from all across the north and beyond. We are trying to essentially level out the appeal and usage through the UK, and we are seeing that.

The second is that, frankly, even if I was not seeing everything happening perfectly in that regard, there are the economic effects. I really recommend speaking to some of the regional mayors. If you take the West Midlands combined authority, they have just committed to further investment—a second MOU—to keep delivering for areas like Digbeth. We are relocating into Digbeth. This has created, without doubt, confidence for other organisations to commit. I think we are nearly up to 1,000 jobs in one street, with "Silent Witness", "Master Chef" and all the various things that are going on.

To your point about targets, we have then been looking at the overall economic value to a region. I am fresh from Birmingham, so I have the figures in my head. In the west midlands, we expect that in the course of a decade we will bring an addition £282 million in GVA to the region. This represents an increase of 44% by our actions, supported obviously by the West Midlands combined authority and Create Central.

There are two things here. There is the audience output and there is the regional economic output, and its effect on the overall creative industries growth plan, which I think is profound. This is not just Birmingham; if you went to Salford, I could give you lots of details. In the north-east, Kim McGuinness and Ben Houchen are supporting our plan there—increased investment. We have the combined authorities and the local councils all coming in on that. There is the tech hub in Newcastle. There is the Cardiff economic analysis that we have done for the region with the Welsh Government. I will not go on, but that is how we assess whether it is working. Even if you were not getting all the audience measures perfectly, this is just a good thing to do.

Q74 Chris Kane: Yes, I actually agree with that, and I congratulate and applaud you on what you are doing. If I sound like I am being a bit too picky now, it is part of what the Committee is here to do. When you say that, what I sometimes hear is, "London, and then everywhere else." We can create examples—you mentioned the north-east—but for every regional example that you could say is doing remarkably well, it is about assuring the Committee and yourself that there is a perception overall.

For example, in Scotland, I could say that you have sometimes had more of a challenge with the perception of the BBC over the last decade or so in certain areas. I think you are doing a good job, and that the perception is good, but there is definitely a Scottish approach to the BBC that is different from a London approach, and it is definitely different from the north-east. You need to make sure that you have a balanced approach across all the nations and regions to ensure that you are the UK public broadcaster, rather than just London and everywhere else. One of my frustrations as a Scottish MP is that an awful lot is about the capital, and a lot of things very much come across as "London and everybody else".



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Tim Davie: I could not agree with you more. I think we are changing, and if you look at the story in the nations, you do not need to tell me that over the last decade there have been various views from Scotland on how the BBC is doing, and we have debates about individual productions, but it is about the overall direction of travel. I was on the Isle of Harris watching the first shooting of a network drama in the highlands—that is real progress. If you look at the number of titles now coming from Scotland, it is growing.

I would also say that BBC Drama is 31 titles a year, so it is not 300. There is a balance now, and I do not want to have a system where we go, “We’re going to do exactly this number.” We are committing to more drama in different places, but we also need some flexibility in the system to go where creatives are going and to have a degree of organic response to the best creative work, and that is what we are trying to do.

Look, your points are well taken, and I am definitely of the view that the BBC should not be thinking, “London and beyond”; it should be thinking everywhere, and I think we are crossing that bridge.

- Q75 **Chris Kane:** We will move on now to the transition to online. One of the recommendations in the March 2023 PAC Report was: “The BBC should develop a detailed plan including scenarios for how it could switch to an internet-only future, working with government, audience representatives and wider stakeholders, to ensure no-one is left behind.” In response, the BBC said, “Okay, we take the point. Let’s move on with that.” How are you getting on?

Tim Davie: There has been some progress. Internally, we have obviously done work on what the triggers are and what you would need to do to effect a transition that, critically, would ensure that no one is left behind—that is key. I know we are in the PAC, but it is not primarily about cost saving. We can talk about the costs of distribution, but it is primarily about a number of households not benefitting from being online, so they cannot get those services and respond.

I think this is a big conversation that we should be having publicly. What we have said is that we need clarity over time from Government, because it is not something that the BBC can do alone in any way, shape or form. There has to be a decision from Government on whether they want to lay down the track and criteria by which a transition could happen. What that obviously means is that, while it may not be the exact date, you need to say, “We want to go here. These are the kinds of things we are going to do to help people. These are the kind of triggers that would lead you to have confidence that you could effect a transition.”

- Q76 **Chris Kane:** If we are talking about the timescales, my constituency of Stirling and Strathallan is predominantly rural, and my mailbox is full of people complaining about the inability to get a digital service. For those who have broadband service, it ain’t of a level where they can do streaming. They can possibly send a slow email to me complaining about the fact they cannot do streaming, but they definitely cannot do



streaming.

I used to work in electrical retailing, so my family business was selling televisions. I remember the digital switchover, when we had a last remaining handful of people who required a set-top box. We gave them one, as there was funding to do so. Once you get to that point, you cannot simply give somebody a television that can access iPlayer if they cannot physically get the internet at all. I worry that there is a disconnect between the BBC's ambition to do this in the 2030s and the ability to get universal broadband coverage, which does not look like it will happen in the 2030s, although I could be wrong. Could you comment on the timescales?

Tim Davie: Simply, our timescales are dependent on what you have outlined. The BBC has no desire to have people who cannot get our services. The conversation is broader than the BBC, but unless you have universal provision of basic broadband of 20 megabits per second, or whatever it might be, to ensure that people can stream video, the BBC would have an issue with effecting the transition. Over time, if you get the number small enough, you can think about solutions. The technology is developing rapidly in terms of possible solutions. I was involved in the transition to DTT, and we put in Freesat to solve issues. This is not my area of total expertise, but I am sure that if we said together, as the UK, "We have 1.5 million households left that are unconnected. How can we make sure they have a connection?" Part of it will be that they are just not connected yet; the other, to your point, is that they do not have a connection.

The BBC is not just sitting here saying that we want a switchover, come what may. We see a condition of it being that people should have a decent broadband service that is affordable. That needs to be part of an overall Government plan to transition. What I worry about, and this is beyond my bailiwick, is that I would think, more broadly for the UK, that there would be an incredible benefit of having everyone connected. We could then ensure that people can get all services, including other Government services. You can think of the cost savings from being able to connect with people in remote areas. That is not for the BBC. To be fair, there are limits to our powers, and we are there to provide fantastic online services—we are more on the pull side than the push side. You have to fix the push side.

Q77 **Chris Kane:** An existential part of the BBC is, "You give us £170 a year, and we will broadcast radio and television." It has been that way for 100 years. You are now moving into a world in which there will be an additional cost of the broadband service itself. In a digital world, you now have my £170 licence fee, or whatever it will be, plus £20-plus a month to get a broadband connection. The cost to access a BBC service will be £170 plus a minimum of £240 on top of that to get broadband.

Tim Davie: Broadband penetration in the UK today is pretty significant. It is not an incremental cost. I think most people—certainly people in my household—would prioritise broadband over any other service. I do not



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think it would be attributed straight to the BBC. I think there is a particular question, which is that if we were to effect a switchover for a group of people who have not transitioned, what would the level of affordability be for the services we provide? I take your point that the BBC cannot take that on. It has to be for the Government and others to say, "We want a broadband transition for the UK, because from the point of view of global competitiveness and cost, that makes total sense." The BBC can then be part of that.

Q78 Chris Kane: But as you move to a digital future, if your timescale is out of kilter with broadband—

Tim Davie: As I just said, it won't be out of kilter, because that would be a self-inflicted wound.

Q79 Chris Kane: Forgive me, but what will happen is that you are on a journey of moving to digital services, and as you are on that journey, there will be a significant handful of people, mainly in rural areas, who cannot access BBC Sounds or BBC iPlayer. I think BBC Sounds is fantastic—it offers a depth to audio that you just cannot get through radio, and I think radio is fantastic—but you will move, as you prioritise certain services, to a world where some people are being marginalised and will get less for the £170 if they do not have a broadband connection than they will if they do. How do you ensure that they are not getting left behind?

Tim Davie: What we have to do, I think, is make sure the broadcast component of the BBC is very significant and retained through that period. We are already at the point where the vast majority of people have got broadband and can get all these services; they can go online and get the news. It would be absurd for us not to offer that service, but the idea that we are giving up on broadcast is not right. We remain utterly committed to DAB and DTT during this period. I am in danger of repetition. We must be, to your point, offering a level of services that makes sense for the licence fee through broadcast through the period—agreed. That is important for us.

What I do think—I will come back to it—is that we need to make a decision, which is a policy decision and a governmental decision, on the direction in terms of what the vision is. Your issues are extremely well articulated. They resonate, but at the end of the day, it is whether we have an appetite to say, "There are 2 million households we need to sort out, and we'll find a way." That is a question that we can contribute to, because television is one of the things that people most worry about. I do not want to see a position where anyone cannot get their television services from the BBC. That would be absurd.

Q80 Blake Stephenson: You might have answered my final question, at least partly, but to be absolutely clear, given all that context, which platforms and services are you prioritising for future funding?

Tim Davie: First, we are prioritising content. I do not want to give a clever-clever answer, but it is really important. I am prioritising making



sure I have an incredible drama offer and the sports rights we secure—thank goodness for listed events. Once I do that, the distribution is critical, but secondary to a degree versus the content. It is also dependent on what content we have, because as much as I love on-demand, if you are going to watch the women's rugby, you want to watch it live, largely. We are not prioritising in a way that says we are going to move off live television. We want to ensure that the content we commission can work on on-demand and iPlayer and is not solely for linear—that is true, because we are trying to stretch our budgets—but we are not binary in that way in saying it all has to be on-demand. Frankly, the “Today” programme is not about being on-demand; the clue is in the title. I just think we will prioritise the content people want.

Q81 Chris Kane: This may be an unfair question to ask you at the very end of the session, because we could be here for a while, but I want to talk about your preparations for the charter review process. What are the opportunities and risks for the BBC from any change to the charter or the licence fee model?

Tim Davie: There are lots of risks and lots of opportunities. We have—I welcome the Government's position on this—the opportunity to protect, nurture and grow public service broadcasting for the next generation. I said to the Culture, Media and Sport Committee the other day that if you want cheering up, fly—or take the train—anywhere in the world and talk about the BBC. I am incredibly proud of what we have achieved through public service broadcasting. The opportunity is that we are able to preserve that.

What does “preserve that” mean? We have set out clear principles about what we think about the funding and the BBC. First, in terms of the overall governance, I think it is critical that we have an independent free media, of which the BBC is the centrepiece, and maintain its independence. We will be publishing—I emailed quite a few million people, and we have had nearly 900,000 responses. Some of these messages will become very clear, but we need to make sure we have an independent BBC that can report without fear or favour, in a context where we meet our editorial standards. Sometimes, we make mistakes, but overall we are doing our work. The other thing is that we are not a market failure broadcaster that just does things or genres that others could never do; we are an intervention that turbocharges the creative industries. I believe we are, in that way, venture capital for UK plc. That is the opportunity.

Linked to that is an opportunity to ensure that we have a universal funding mechanic that absolutely ensures that we are serving everybody, rather than a proportion of the population, and puts us under pressure to do that, but also a gives us a chance to reform the system so that we can ensure that it reflects usage for the next decade, has the right enforcement in place and has the right scope.

I am looking forward to getting on with it. We will have the Green Paper and the terms of reference, I think, in October, and then we will be in full swing towards the White Paper. The opportunities are huge.

Q82 Chris Kane: The 10-year model seems odd in one way. How much does the uncertainty about your funding from 2027 onwards impact your ability to set savings targets and make investment decisions?

Leigh Tavaziva: The BBC's financials are no doubt under pressure, and we are constantly looking at how we can become more efficient. We talked earlier about a declining licence fee. How we can reform the licence fee through the charter is really interesting to us. That is going to be important so that we can maintain a universal BBC.

That will be an important part of maintaining that income that will allow us to stay as a universal public service broadcaster, but costs are increasing. When we look at our forecasting models out through the next charter—we are actively in that process now as we prepare for the charter conversations—we do see funding challenges. That is of concern to us, particularly as we need to continue to deliver the range of audience services that we do today, as well as the balance, which you have just been talking about, between the costs of moving to digital, where lots of our audiences are, particularly the young, and our ability to maintain the cost of delivering a broadcast service for those who take a very long time to get to a broadcaster on online capability, if they even get there.

Those are the challenges we are having to grapple with. That will mean that we will consistently look at—it is our obligation to do so—how we can deliver an efficient BBC, but it is stretching, as we have talked about, into some of our content areas. We have been trying to minimise that over the last savings programmes, and that will be a challenge for us going forward.

Tim Davie: Every organisation has its uncertainties. It might be market uncertainty—it is all kinds of things. You will never get it perfect, as this group knows. There is no doubt that the BBC is relatively unique in having this big moment. You can only forecast, within reason—you would be doing the same as us—and say, "Okay, assuming an income of this or that, what kind of choices would we have to make?" Of course we are doing that work.

What is fascinating for us is that I do think we have a real choice. We cannot continue where we are. I just want to be clear about where the BBC is at: we will need reform of the licence fee. Just going on as we are and saying, "Look, it's fine," is not a sustainable position. We need to think about how we increase investment in the BBC, think about the scope of the fee—all the things we do. I urge everyone to really look at that sensibly, because we cannot just put our head in the sand and assume we are going to keep it. No one should be thinking we will just continue as we are going, in my view.

The second thing, which relates to a lot of the conversation we have had today, is that we need to look at the average—if there is such a thing—UK household in any town or street and ask, "What is a good proposition in terms of value for that household?" This is tough for households; they are all under pressure. The BBC is not sitting here and saying, "Just radically



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increase the fee,” but you cannot divorce the funding mechanic from the editorial. We are now at a point where way over 90% of our money goes straight through to the public in terms of content. We are stripping down our costs. You can see what we have done. That means we have a really interesting conversation to have about how much investment we need, based on where the global economy is and where the global players are, to ensure that the BBC remains healthy.

Chipping away at it for years on end will not work. We have to make some serious decisions—we have not even mentioned the World Service—about what the fee covers, how we charge people and what is included. Without that level of radicalism, I do not think we are going to safeguard public service broadcasting for a generation—I really don’t. I think we will not be getting the right solution.

Chris Kane: I think we will have you back on the World Service later, but thanks from me just now.

Q83 **Chair:** Would you want the Green Paper to pose questions that we could get a public response to, rather than simply telling the public what is going to happen?

Tim Davie: My understanding is that that question is probably best posed to DCMS.

Chair: I was asking what you want to see from it.

Tim Davie: I think it is absolutely appropriate that you have a phase of the process where stakeholders and others input on what they want to see from the BBC. We are obviously having mass consultation with our audiences and talking to people, but it is absolutely right that Government are open to hearing from people.

Q84 **Chair:** And that is how you would want it to be framed.

Tim Davie: That is a totally sensible process.

Q85 **Chair:** But then you would want it to spell out the consequences of not having change.

Tim Davie: I am not the expert on different papers, but that would be the process by which you go from the Green Paper, where you are listening and evaluating. Framing it in the context—this is, again, for DCMS and the Government—of how we support public service broadcasting, nurture the BBC and ensure we get the maximum economic growth is incredibly helpful. Also, this is not just about economics; it is about society, societal cohesion and national security. All those things need to be positively put out as questions.

It is quite right that you will then get to a White Paper and to the solutions, where you set out your stall and say that this is what you have chosen to do and chosen not to do—it is all about choices. We will be very proactive in supporting others as they work their way through that process.



Q86 Chair: One point that we have not talked about is the World Service. I know that it is a separate issue, and we will not go into it in particular, but I will give an anecdote. Some years ago now, I climbed Mount Kilimanjaro, and we had a local guide with us. We talked about the UK and what he knew, and it all came from the World Service. I said, "Why do you listen to the World Service?" He said, "I don't believe anything the local people tell me, because they tell me what I want to hear. I trust the BBC." I think that says an awful lot. A guide walking up a mountain in Africa says an awful about the BBC's reach. We should not lose that either.

Tim Davie: First, we are the most trusted news brand in the world. Secondly, the amount of investment made by China and Russia, and the manoeuvres of Iran and others to spread wholesale disinformation or agendas that are not in our national interest, is very significant. I mean national interest in the broadest sense: democratic society, open debate.

We have a short-term challenge. We were very grateful for a little bit of extra money from the Government. We are at £262 million, and we are now at £137 million from the Government. I will not go back into the archaeology of my view that UK licence fee payers should not be paying this—I think it should be funded through central Government—but I think we have some real choices to make. Overall as the BBC we are reaching more than 400 million people a week. It is an incredible national asset. It has never been more important in terms of our reputation.

We are very clear that there is a short-term ask in the spending round—it will be critical that we get some increased funding—but then there is a much bigger conversation, which links to the charter conversation, about what our long-term ambition is, given the hundreds of millions of pounds that are being flung at us. Do we want to keep our position? We are defying gravity on our budget at the moment, versus what we are facing. This Committee will know that we have had frequencies snapped up by bad actors and others. I think we have a big choice for the World Service.

Chair: On that point, director general and colleagues, thank you very much indeed for coming today. An uncorrected transcript of proceedings will be published on the Committee's website in the coming days. The Committee will consider the evidence provided and produce a report in due course.