

Public Accounts Committee

Oral evidence: BBC Efficiencies and Reform, HC 995

Wednesday 26 January 2022

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Members present: Dame Meg Hillier (Chair); Shaun Bailey; Peter Grant; Mr Richard Holden; Sarah Olney; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1-157

Witnesses

I: Tim Davie, Director General, BBC, Leigh Tavazia, Chief Operating Officer, BBC, and Glyn Isherwood, Chief Financial Officer, BBC.



Reports by the Comptroller and Auditor General

BBC savings and reform (HC 958)

Examination of witnesses

Witnesses: Tim Davie, Leigh Tavazia and Glyn Isherwood.

Q1 Chair: Welcome to the Public Accounts Committee on Wednesday 26 January 2022. We are here to look at the BBC and how it is spending its licence fee money, and all the challenges it has with its licence fee settlement in balancing its budget while producing public service content and managing its commercial arm, as well as serving all nations and regions of the UK. It has a task ahead of it, and we have a task to question the BBC about how effectively it is spending the money it receives from licence fee payers.

I am delighted to welcome our witnesses: Tim Davie, director-general of the BBC; Glyn Isherwood, chief financial officer at the BBC; and Leigh Tavazia, the chief operating officer. A warm welcome to our witnesses. We cannot really start the hearing without mentioning the licence fee and the settlement. Were you surprised when the Secretary of State tweeted out two weeks ago on Sunday that an announcement was imminent on the licence fee?

Tim Davie: As I have said publicly, we were in the final knockings. It was expected to have a conclusion within days. The nature of the announcement, in that particular moment, was a surprise. It has come at the end of a long process. I think it is fair to say that this has been a process in which we have submitted good data and a strong case, and there has been a number of meetings. The settlement, in and of itself, was not a great surprise.

Q2 Chair: The settlement was actually a bit different from what the Secretary of State announced in her tweet that Sunday. You say you are in the final knockings. Were you actually expecting it that day, or for it to be announced in Parliament on the Monday?

Tim Davie: I was not expecting it that day.

Q3 Chair: Were you expecting it that week?

Tim Davie: I was expecting to get an agreement between us within the next few days. I am not an expert on parliamentary process and announcements, but I was expecting to get communication in the next few days.

Q4 Sarah Olney: Good afternoon, Mr Davie. What elements of the tweet and the subsequent statement surprised you? Was all of that in accordance with your expectations of what you would have been hearing in the next few days?



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Tim Davie: With regard to this settlement itself, I think that I have been very clear: I am disappointed that we have two years flat. I can balance that, because the truth is, households are under enormous pressure and we have to recognise that. We had made a case for CPI, and we can talk about how we thought that the financial implications of a CPI settlement would be demanding in regard to super-inflation in the industry we work in and so on. So, I was not surprised by the quantum and some of the specifics underpinning that, which are important, by the way—

Chair: A six-year settlement.

Tim Davie: A six-year settlement, but also the other things that are attached to a licence fee. If you look back, we have had things—should there be contestable funds, what is the S4C settlement—but none of that, if I am being blunt, was a surprise because we had had good conversation. More long-term observations about the future of the licence fee and our model, while utterly appropriate coming towards the end of a charter, were surprising in that regard.

Q5 **Chair:** You got a six-year settlement. Was that because the Government were listening to your request to have more stability, or was that a surprise? The final letter, of course, was rather different to the tone of the tweet.

Tim Davie: That was not a surprise, and stability of funding is absolutely critical. It was an important part of our case.

Q6 **Chair:** To be clear, you got the two-year freeze at £159, flat cash, and the four-year increase at CPI. Were you expecting the CPI increase, or did you expect it to be RPI? Had that detail been bottomed out before?

Tim Davie: I have been very clear: I was not surprised. To be fair, the Committee can look at the published documents—the initial determination in July—and there was no surprise in what was announced. There was some surprise on the specific timing.

Chair: Thank you for your candour. We will pick up on some bits.

Q7 **Nick Smith:** Mr Davie, listening to your response, the tone is one of bad faith. Did you think that after months of negotiations and discussion, that was the right way to do business?

Tim Davie: I have been clear and open about that being a surprise. That is what I will say.

Q8 **Chair:** Did you have difficulty managing that within the BBC, where staff might not have been aware that this was going to happen?

Tim Davie: At the end of the day, of course as a CEO, I want open communication. We talk to staff openly, I think with no corporate speak—we are direct with staff. That is how I operate in the BBC with my top team, with Leigh and others, so if you do not expect something, that makes it marginally harder. I do not think that it makes it impossible, if I am being honest; we just have to be direct and straight with the staff.



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Even this morning, we have had a staff Q and A, open to everyone, to talk through some of the debates around the issues.

Q9 **Chair:** It certainly gave your news outlets plenty to get their teeth into on that day.

Tim Davie: There is plenty of news about anyway; we do not need to create it ourselves.

Q10 **Peter Grant:** Good afternoon. Mr Davie, the other thing that was in the Secretary of State's tweet was the announcement that this would be the last ever licence fee negotiation. Were you aware that that was the last time you would be negotiating the licence fee?

Tim Davie: No.

Q11 **Peter Grant:** When do you have to start preparing a financial model for the BBC that does not include the licence fee, if you have now been told that there will not be a licence after, what, five or six years?

Tim Davie: We are very pleased to have six years of certainty. By the way, we should all recognise that as a very important fact. If you talk to my commercial counterparts, six years of financing that we can plan—with our public service income, the BBC will continue to be ambitious. I am sure we will talk about it, about our commercial arm and what we can do there. We have very good performance, but I think we can go even further.

I think the work begins soon, appropriately. It was always going to begin, wasn't it? With a media landscape that is changing so rapidly in our own households and in how people consume media. Some of the commentary, I have to say, is way off in terms of the BBC not clocking this vast, seismic change to the media market. Distribution is changing—we no longer have two out of four TV channels and all the FM frequencies, or most of them, which gave us a clear position in the market, which was in some ways not in jeopardy. I have been very blunt that the BBC has got a job to do to maintain relevance to households.

Now, in that I think it is absolutely appropriate, and the BBC will be a leader in this debate, to consider what is the best way of securing the right funding in a new media landscape. I happen to think that the licence fee, for a long time, has been an outstanding way of operating. You know, it is one of those classics. I go round the world and I look at our creative industries, growing at four times the speed of economy going into covid and they will get back there, creating a million jobs—these are not random coincidences.

I think there is a lot to play for. There is a lot of jeopardy in the UK creative industries—not just getting people to make here, by the way. When we talk about "IP", this point is so critical. It is not just about making here; we actually create the IP we hold. We need to look at all options as we go forward. I happen to think that we have a precious system here, with good universal support—what is the right word? Yes, supported universally. And we should be very careful about thinking our



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way through the future. But it is not a closed-minded BBC; it is open to have discussions.

- Q12 **Peter Grant:** Just to be clear, the Secretary of State tweets quite a significant announcement about the funding of the BBC after the current six years. She then comes to the House of Commons and makes a statement that does not include that announcement. Are you working on the basis that the tweet was correct, or are you working on the basis that the statement with the omission was correct?

Tim Davie: I am working on the basis that we have a charter for six years and there needs to be a full process, involving public consultation, and I don't think it is for one person to decide the funding model of the BBC; we need to go through that properly. And I think the licence fee has proven itself to be very strong in what it delivers. But that is not to say that the BBC is dug in behind one—we absolutely want to go through a process and listen to the public on that. That is what needs to happen.

- Q13 **Peter Grant:** If there was to be a decision and the licence fee has gone, realistically how much time, or warning, would the BBC need to put together an alternative way of financing operation, so that the BBC could continue as the BBC and not just become another commercial broadcaster?

Tim Davie: I don't know the exact answer to that question, but you are clearly talking about—sorry, these are not meant to be weasel words—a reasonable window of time, whether that is a couple of years or something; you would need that. And you might need longer, in terms of the transitional periods, if you were to move.

I am not assuming—just to be clear, I am open-minded, but I think the licence fee is an extremely good way and has proven itself to be. It is not without its faults; no option is perfect. But when you look around the world and look at what we have done—and, critically, this is about public support. Everyone has got their issue with the BBC, but 90% of the population come to the BBC every week for an average of 18 hours; that has held up over the last year. Over half the UK come five days a week. We will no doubt talk about the 16-34s, where we have a real challenge; as a parent, and I am sure many of you know, that is a real challenge. But we are still the biggest media company for 16-34s.

Those people who are writing off the BBC at this point are in the wrong place based on the data at this point. This is where we are at. That is not to say I do not understand the jeopardy; we are kind of healthily paranoid about it.

- Q14 **Chair:** Mr Davie, we are also aware that you clearly have an audience outside this room that you are keen to pitch to, but a lot of these facts and figures are in the Report, which we are on top of and you are on top of. So, if we avoid repeating those, we can get through to the nub of some of the challenges you have got to face.

Tim Davie: Of course.



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Q15 **Peter Grant:** I will move on from the recent statements. Looking at the licence fee income, what percentage of it is spent on the kind of content that you need a licence to consume and how much of it is spent on content that is effectively free for anybody, whether or not they have a licence? Do you have that information available?

Tim Davie: What, if you didn't buy a licence and you behaved in a—? Are you talking about legal behaviour, or illegal behaviour?

Q16 **Chair:** Legal behaviour.

Tim Davie: I do not know the answer. The radio services, some catch-up television—so we would have to work on that percentage. But you are talking about all the radio services. There are people who listen to the radio and use our online site. There are very few who do not actually consume BBC1 as part of the mix, by the way. Although there is a percentage of money and we will see whether we can get to that number, the actual number of people who watch, even though they say, "I only watch catch-up"—well, the data suggest otherwise, for what it is worth.

Q17 **Peter Grant:** At the end of the previous licence negotiations, part of the deal was that the Government would stop funding free licences for older people, which became a very hot political potato at the time. I think it was obvious to everyone that although technically the Government were correct in saying that the BBC had agreed to it, most people strongly suspected that the BBC had agreed to it under quite intense pressure. Is there anything in the detail of the current settlement that you feel you have just had to sign up to with gritted teeth?

Tim Davie: No.

Peter Grant: There are no nasty surprises.

Tim Davie: The gritted teeth are about the quantum of the overall settlement, not about the strings attached.

Q18 **Chair:** So on things like the requirement that you keep the World Service, that you do not cut any of it, were you expecting that?

Tim Davie: We will have to look at the final agreement in the agreement letters in terms of what the specific commitments are around the World Service.

Chair: That is a very careful answer.

Tim Davie: Historically, we have had the ringfence.

Q19 **Chair:** That is in the latest letter, isn't it, that it is ringfenced?

Tim Davie: I can look at the wording.

Chair: You might have a more detailed document than we have.

Tim Davie: The hard ringfencing I do not think is—I need to look at the actual letter. I have it here: "Over the rest of the Charter period the BBC



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should continue to make substantive investment from the licence fee into the World Service". That is not in dispute.

Q20 **Chair:** Okay. That is very open. You have not yet got the detail.

Tim Davie: The World Service, just for the record, is clearly a big priority, but I have said that nothing is off the table as we look at our investments. There is no specific ringfence in the exchange of letters.

Q21 **Chair:** To be clear, the Foreign, Commonwealth and Development Office funds a proportion of that.

Tim Davie: We currently spend a minimum of £254 million; for the FCDO, I believe the number is £94 million on top, which was increased by about £8 million this year. That was gratefully received.

Q22 **Chair:** Under a special contract with the FCDO.

Tim Davie: That is specific—here is the language services, here is the disinformation unit. For everyone's benefit, there are two components of World Service funding: £254 million from the British licence fee payer and £94 million from FCDO. The letter specifically says that we will continue to have significant investment.

Q23 **Chair:** When will you get the further detail behind the letter? How long will those negotiations go on?

Tim Davie: I do not think that they will go on for long in getting a more detailed agreement—

Q24 **Chair:** Timeframe—weeks, months?

Tim Davie: Weeks. This is between us and DCMS, and I am sure they can speak as well, but I am expecting us to get that done quickly.

Q25 **Chair:** We can look forward to a public document that will detail this with more granularity.

Tim Davie: I think the framework agreement gets published. I cannot see any reason why it would not.

Q26 **Nick Smith:** Mr Davie, you are saying, globally, expenditure on the BBC World Service, £300 million—

Tim Davie: Three hundred and fifty million pounds. Sorry, I interrupted you.

Nick Smith: The Foreign Office chips in about £100 million and the BBC £200 million, but my sense of the Secretary of State's remarks was that, while she talked about investment in the World Service, the BBC World Service will have to take a shave, based on the Government's announcement on the licence fee.

Tim Davie: No, not necessarily, although it will be evaluated as we go through the process—

Chair: It is not off the table.



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Tim Davie: It is not off the table, correct. It is not off the table, and that is absolutely where we are: we will now talk about it in detail. With the savings we are going to have to make and our planning, I said everything is on the table and I mean that. There is no version of events in which the World Service is not an important part of the BBC; it is whether we are investing the full £254 million of the UK licence fee money against it. That is the only debate.

Chair: Back to Mr Grant—sorry, we keep interrupting you.

Q27 **Peter Grant:** Given the passion that you demonstrated in your earlier answers, I am sure you can give a lengthy answer—

Tim Davie: I will be quick.

Peter Grant: You have not heard the question yet. Some argue that we do not need a state broadcaster in this day and age, and some argue that we do not need the BBC funded by the licence fee or in some other way. What is it that the BBC does that no one else can or will do? If the BBC were not there, what are the things that everybody would miss and wish were back?

Tim Davie: This could be a very long list, but I will keep it brief. First, on whether “state broadcaster” is the right description—it rather conjures up a different type of broadcaster, which by the way is in ascendancy around the world. I do not say that lightly; it is being invested in heavily. I think that the BBC is a very precious blended model, with very successful commercial private enterprise. I think Sky does a fantastic job, I know lots of people who are entrepreneurs in this area, and we help to build businesses. We are growing fast commercially. Alongside that, to have public service broadcasting, there is an overwhelming case in my view, with positive effects for democracy and the quality of debate we have. Around this table, we all have our views about our coverage and how we do things, but for me that is an important thing that needs to be defended.

Secondly, there are interventions that are not commercially viable. With the local radio we produce, the radio services that we produce and much of our TV programming, a commercial model would lead you in a different direction. These things are precious to our democracy, but they are also accretive—accretive to our commercial economy. That is the critical thing. For every pound you spend on the BBC, much of it flows out—talk to independents and to other people—and we create £2.60 of value from that BBC investment.

The great thing about the BBC—this is my final bit—is that it is curiously accountable. I am obsessed with household value. Our pitch for the BBC is not just that it is a good thing but that it is great value for £13 a month. Despite all the noise, most people feel that. How we charge them for it is the next question, but my view is that a brief to deliver public service broadcasting and a strong public service media is one of the things that we should be fighting for and should be proud of in the UK. It is a huge



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competitive advantage. I worry that we do not clock the risk to that. If we dismantle this, I honestly think that we will be doing a disservice not just to our culture and our democracy but to the economic health of our creative industries.

Q28 Peter Grant: If we work on the assumption that the licence fee continues to be a significant part of your funding, have you looked at options that involve either changing the way in which the licence fee operates or possibly changing the range of services for which people needed a licence to consume, even if just partly to recognise the different age we are living in? Is that something you have looked at?

Tim Davie: I think that all questions need to be looked at in the context of planning for the next charter. That is work to come, with all those options.

Q29 Peter Grant: Have you looked at an option that is based on the content that someone consumes, rather than on how they consume it? For example, at home I have a radio that I like to listen to a BBC radio station on, which does not cost me; in the flat in London, I have a TV that I listen to the radio on. I am not allowed to listen Radio 4 on that television without a licence; I can listen to Radio 4 in the car or on the radio at home without a licence, but that does not seem fair, does it?

Tim Davie: There are technological questions around what we call in the jargon “gated”—what can be gated or not, and where that comes. I will get repetitive now. I see huge advantages in the licence fee as it is constructed, with all the holes that you understandably identify, but as part of the charter renewal process, there has to be a debate on the questions that you are asking, and that is what we will do. I understand that everyone has their list of scenarios and possibilities. Clearly, we need to go through a disciplined process, with the public involved, and work our way through this.

Chair: As you have said several times.

Q30 Peter Grant: You have information to show how much of the World Service audience is based in the UK and how much abroad.

Tim Davie: There is a valid UK audience. I cannot remember the latest RAJAR, but it is decent. With World News and the World Service we are reaching 486 million people globally. A small minority of the overall number is in the UK. We have an avid listenership through the World Service, myself included, in the UK. It is a small percentage, but we get huge numbers around the world.

Q31 Peter Grant: Rather than the World Service being partly funded by licence payers, the vast majority of whom do not listen to it, and given that the Government are very keen for the World Service to continue, is there an argument that the World Service should be directly funded from general taxation?

Tim Davie: We are going into the same old thing. We have got a licence fee settlement. It is clear that within the licence fee settlement we are



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going to significantly invest in the World Service. We need to land on the specific number, but there will be significant investment in the World Service, with the added investment from the FCDO. That is now set for six years. I refer to my previous answers in terms of working through possibilities.

Peter Grant: Okay. Thank you.

Chair: Thank you, Mr Grant. Mr Richard Holden next.

Q32 **Mr Holden:** On the licence fee, do you have the numbers for prosecutions and convictions for licence evasion over the last few years?

Tim Davie: Leigh, do you want to tackle that?

Leigh Tavazia: We have seen prosecutions in the range of around 60,000 a year. This year and the year to date it is about 37,000. That does not necessarily relate to a fine or any further enforcement action following that.

Q33 **Mr Holden:** I am just looking at the Ministry of Justice outcomes by offence up to 2020. I appreciate that in the last couple of years it has not been the same, but in the years 2010 to 2019 it was running at an average of 123,500 a year. Obviously, in the last couple of years, that has been lower because of covid and other difficulties. Are you anticipating an uptick to those previous numbers and a doubling of current prosecutions?

Leigh Tavazia: No, I think we have seen really strong support for paying the licence fee over the last few years. Covid in 2020 was particularly challenging. We did not have field agents visiting homes during that period, so that meant we were not following up and running the level of enforcement that we would have been doing, so you are right to point that out. We expect to be able to go back to normal levels on that. We are seeing strong support for paying the licence fee, and that certainly is important.

Q34 **Mr Holden:** So you expect to go back to previous levels of prosecution despite the strong support.

Leigh Tavazia: Yes, it would not be unexpected for us to do that.

Q35 **Mr Holden:** So you are expecting to see in the coming years probably a doubling in prosecutions from this year and last year when you could not, as you say, have your enforcement officers out there.

Leigh Tavazia: I think it is important to recognise—

Q36 **Mr Holden:** Sorry, is that a yes?

Leigh Tavazia: Yes, I think that would be expected.

Q37 **Mr Holden:** Do you think it is acceptable to pursue people in terms of that licence fee collection? How do you see that model as sustainable going forward?



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Leigh Tavazia: The vast majority of people absolutely do pay the licence fee. We work really hard at getting our visiting officers to homes to follow up where the licence fee is not being paid. They have constructive conversations with licence fee payers to understand why they are not paying their licence fee. It is important to remember that those convictions are not led by enforcement officers. We are not bailiffs. We do not take that enforcement action. That is followed through by the courts, and decisions are made by the courts.

Q38 **Mr Holden:** I understand that. Finally, do you have a breakdown of the gender and income of people who are convicted of not paying the licence fee?

Leigh Tavazia: We have over a number of years looked very closely at that mixture, and it is more weighted towards the female population.

Q39 **Mr Holden:** How heavily weighted?

Leigh Tavazia: It has largely been about 75% towards women.

Chair: Over to Mr Nick Smith MP.

Q40 **Nick Smith:** I think the licence fee is good value, too, but I want to ask some specific questions about the BBC and the commercial environment. One of your biggest audiences is for "EastEnders", but it seems the new set has been a bit of a shambles. It is coming in at £27 million over budget, five years after it was supposed to be open. Do you think the benefits you planned for the new set will still be delivered?

Leigh Tavazia: Yes, the project for "EastEnders" has been the subject of conversations in this Committee for a number of years. You are absolutely right that it did run into delays and to a higher cost. The last time we reported to the Public Accounts Committee, there was an agreed cost with our board of £86.7 million, and we will absolutely deliver the project within the timescale. We have actually completed the work on the front lot, so filming has started now on the front lot design, which was a large part of redesigning the very old set—

Q41 **Nick Smith:** Sorry to interrupt, but you are sort of repeating my question. I asked whether you think the benefits that you had planned from the new set will be delivered.

Leigh Tavazia: Yes, absolutely.

Q42 **Nick Smith:** How?

Leigh Tavazia: You will see the new set on our screens from March this year, and I think the public and viewers of "EastEnders" will enjoy the value being delivered from those new sets. It also provides much greater flexibility for filming. We have already received great feedback from the production team, who are now on site on that new front lot and are using it to continue to develop "EastEnders". It is an important continuing drama for the BBC. Audiences swing young, actually, for "EastEnders", and we see really great engagement with "EastEnders" on our iPlayer as well, so yes, we do believe that we will continue to see value from the investment.



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Q43 Nick Smith: I want to go a bit deeper on that. ITV has recently announced that it is increasing investment in news—a good thing—but it is moving “Coronation Street” and “Emmerdale” to directly clash with “EastEnders”. How is that going to affect the positive points you have just made?

Leigh Tavazia: We are actually not that concerned. We think the audiences are different. We have an important following on “EastEnders”. As I just explained, it is a younger-skewing audience, and it does incredibly well for us on iPlayer as well, so it does not just have a linear audience who may be choosing to watch “Corrie”, “Emmerdale” and “EastEnders” at similar times now. We think the value of “EastEnders” on our on-demand service for younger audiences will remain, and we are confident in that.

Q44 Nick Smith: Of the “EastEnders” audience, how many also watch “Coronation Street”?

Leigh Tavazia: I do not have that information.

Tim Davie: I am working out whether we could even get that. You could get that from bespoke research, but I do not think you could get it out of—

Q45 Nick Smith: You must have asked that question.

Tim Davie: We may have done in the depths of the BBC somewhere, but I am not aware of it. For the audience profile, clearly a venn diagram exists, but actually there are significant differences in terms of age profile. The critical point is the amount of viewing we have on demand. Those of you who are using iPlayer, if you look at “Most Popular”, “EastEnders” tends to be the most popular on a daily basis.

Q46 Nick Smith: So you think people will watch it later if it directly clashes with “Corrie”?

Tim Davie: We are not immune from competitive pressure—let’s be honest about it.

Nick Smith: It is a genuine question.

Tim Davie: These are the kind of things we talk about—of course. There may be a marginal impact, or an impact during that hour, but we are confident that the overall case for the “EastEnders” development remains strong. That whole set was not going to work anyway, so it needed investment. We are also confident about the “EastEnders” family. We have just put in a new showrunner there. We need to keep investing and doing our thing, and that will deliver audiences that we believe will make sense for us in terms of adding both linear and iPlayer together. For much of the audience of “EastEnders”, the biggest competition as they sit down of an evening is not just ITV but the broader media market we are in. That is the game we are in; that is the bigger competition.

Q47 Nick Smith: I am really surprised. I would have thought a chunk of the audience of “EastEnders” would watch “Corrie”, too. I am a bit surprised



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that you are not sure of, or have not analysed, the risk of a large percentage of that audience not seeing it or transferring straight to "Corrie".

Tim Davie: The content team may have analysed it, but the truth is that the penetration of iPlayer is such that "EastEnders" fans will get to "EastEnders". That is just how the market is working. If you take "The Tourist" or other big dramas, we are doing more volume on the iPlayer than we are linear.

Q48 **Nick Smith:** We will see. Thanks. On the next section, I wanted to talk about your current affairs output. Ofcom's last annual report on the BBC showed that current affairs hours have fallen in Wales and Northern Ireland, and there are concerns about England too, as "Inside Out" has been cancelled. Can we expect those hours to be returned? Will current affairs coverage be put back up?

Tim Davie: We probably will not return all the hours. It is not just about the hours you make; it is the quality of those hours and the investment you have to put in to make quality current affairs programmes. This is a good day for that question, because this is the first day that the new current affairs strand made in England for the English regions goes out. I actually think we have better investment and will make high-quality programmes. We need to keep an eye on that to make sure that the robustness of the current affairs is in there, but I think we were right. We protected, if you remember, all our local radio services and all our TV opt-outs. We are paid to make those kinds of decisions, and I felt that in current affairs a slight reduction in hours and an uptick in quality, particularly bearing in mind the competitiveness of the market, was the right thing to do.

Q49 **Nick Smith:** One of the BBC's targets has been to increase commercial income, but some of that will depend on the success of BBC Studios. The target you set in 2020 to increase returns by 30% over the next five years is very ambitious and is well above what the market was expected to grow by. What makes you believe that you can still reach that target?

Tim Davie: I am glad that you think it is ambitious, because as CEO I want to stretch it a bit further. I am bullish about our commercial income. I think Studios is an extremely strong business. I think we are on track to deliver a good year this year, and we will see at the year end. I am very confident that we can deliver those return numbers. There are two reasons for that. First, the movement of production into Studios has really offered us opportunities to drive our business. It was sensitive. We moved the natural history unit so that it could make way for other players. That was the only way we were going to keep talent—the best producers—in the BBC. That has worked. We also have strong growth in things like on-demand services and our channels. UKTV, our business in the UK, is performing well. I am bullish about our growth prospects.

Q50 **Nick Smith:** I want us to keep going in that direction, but I also want to say how fantastic the iPlayer is and how you were groundbreaking in developing that. The streaming giants are making huge deals to invest in



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the UK. Netflix is doubling the size of its studios in Shepperton. Disney is investing, and Sky is investing in Elstree too. This sort of comes back to your earlier point; are you worried that you may ultimately not have the infrastructure needed to compete with these new streamers?

Tim Davie: I am not worried about infrastructure. At the end of the day, you can always find studio facilities and somewhere to make things. What I am worried about is our financial firepower to secure IP talent and projects. I am not worried about infrastructure. I am worried about people and IP. I think we have the scale, and we have a very clear position in the market. Creative people like working with the BBC. We offer something different to the streamers. I have said publicly many times that I am a big fan of Netflix. I like Netflix. Breaking news: we are not going to beat Netflix. We are going to do something very different. That means British drama, British continuing drama, Bitesize and local radio. That is what we have got to do.

Infrastructure is not my worry. We need to make sure we can attract the right talent into the BBC, and Studios helps us do that. We can find the right financing model. I thought the NAO made an interesting observation in terms of our horsepower to invest in IP. One of the things we did not talk about in the licence fee settlement was increased borrowing capability for the commercial arm, which I think is significant in this regard. We have a battle on our hands.

Q51 **Nick Smith:** You say that you are not worried about infrastructure, but why do you think that Netflix, Disney and Sky are investing in infrastructure? For them, is it about not having enough, and they therefore need to boost capacity? Why are your competitors doing it, and why aren't you doing it at the same scale?

Tim Davie: To be fair, up in Glasgow, BBC Studioworks is investing in space in Pacific Quay and so forth. We absolutely have good studio space, and we need secure studio facilities. This is a very hot market in terms of securing the right studio space, so I can understand why people want to secure that. You are asking where I see significant risk for the BBC. Obviously, we need to make sure that we have the right studio space, but it is not the biggest one. I am just being honest. It is an important strategic question, but it is not the most important strategic question, and it is not the big risk for the BBC.

Q52 **Nick Smith:** One of the BBC's best assets is intellectual property, particularly in children's programming, which is successful around the world. But I understand that you are increasingly looking at third-party funding for productions. Is there a risk that, in the short term, you are giving up IP rights that could help you in the long term when you have those partnership arrangements?

Tim Davie: Inevitably, and that is the balance that we have to try to strike here. I think this relates to the age-old question about whether we should have an international iPlayer and how easy it would be. If you take a drama that costs £5 million, it may well be that the BBC is buying for £2 million—these are dummy numbers, but they are appropriate—the UK



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window. The question is whether you are buying a UK-first window or a UK-full window. With the iPlayer and other things, we want to buy a UK-full window. The question for studios, rather than for licence fee payer cash, is whether you do what we call deficit funding and fund the whole thing. Across a series of 10 episodes, that could be a very expensive drama. It could be £30 million. Historically, we have done some deficit funding. In factual, by the way, because the prices are lower you tend to just buy it, and you can own the IP. These are things that are made by BBC Studios, let alone those that have a third-party indie making them, such as “Sherlock” or “Line of Duty”, which are made by an indie.

Where I am is that we need—there are opportunities for this—to be more muscular and long term, based on the way the market is heading, around owning all our IP and buying out our IP. BBC Studios now evaluates that when it looks at an investment proposal—do we take all of the production, or do we take part of it? The NAO are right in this: there is a balance there, because if you just deficit-fund everything, your risk profile might be such. We have to, as a public service, deliver—year in, year out—maximum value to the licence fee payer. In the instance I have given you, we could make two and a half dramas for the UK licence fee payer with £5 million—if you follow my logic—versus just buying out one. That is a tension for us. I think that with the increased borrowing and the financial health of studios, this gives us more opportunities to be more muscular in this market and look at owning more IP. We do have situations like “Strictly” or “Dr Who”, where we have ownership of the IP. We are monetising that, and it works.

Chair: Thank you, Mr Smith. Over to Richard Holden MP.

Q53 **Mr Holden:** Looking at figure 11 in the NAO Report, do you think that the increased number of repeats on the BBC mean that the licence fee payer is getting less value for money?

Tim Davie: No, because I think we continue to offer, in the medium term, an increase in services. Digital radio services, the iPlayer, BBC Sounds—I could go on. The value, for 43p a day, is strong. Having said that, we are very conscious that we need to keep—I think it’s interesting, by the way, because if you take our iPlayer, Netflix and others, when does a repeat become a valuable archive, and when is it a repeat?

We have had a problem in the covid years. If you look at the numbers, you will see that there has been an uptick. I think you will see repeat rates get back to a more normalised level. Within the peak, you will have seen that we are at 13.9%. Historically, we have been at about 10%. I do not want to see a vast increase in repeats at all, or a significant increase in repeats in peak.

A final point is that we are facing hyperinflation in this market. We make 31 or so premium dramas in the year. There is no doubt, with the funding settlement that we have got, that puts pressure on our budgets. I don’t think it radically affects the repeat totals, and certainly within peak we have got to protect that, but that puts pressure on us.



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Q54 Chair: Do you have a ballpark figure about how much you have reduced that 31 premium dramas down to, for the settlement you've got? What conversations are you having?

Tim Davie: No, I would hope we could protect that. Can I protect it as we go through the next few months and through that work? I think we obsess, understandably, about the licence resettlement, but there is also hyperinflation in the market—

Q55 Chair: Just to be clear: those 31 premium dramas, you are planning to retain that kind of level of drama output.

Tim Davie: I am going to sidestep that, only as much as I have said I will keep—

Chair: I bet you are.

Tim Davie: But what I don't want to do—

Q56 Chair: I am not asking for a line by line, but a general intent. You talk about that being important for monetising.

Tim Davie: Look, if you read the strategy of how we give value to households, it is the high value items—it is the "Green Planet", it is the defining dramas. If you can't deliver those at the BBC, that is a grade A issue for me, if you know what I mean.

Chair: That is very clear and helpful. Thank you.

Q57 Mr Holden: I think we all appreciate that, but you did say earlier on in your opening statement that your TV couldn't be done on a commercial basis. I am looking at your TV here. The level of repeats, particularly on BBC 2 and BBC 4, is now phenomenal. You can see a further increase, bigger over the period 2016-17 to 2021 on BBC 4, because you are already at 87% of the content repeated. In terms of the peak, which you mentioned, and overall, what are we going to be seeing? Over that period, 2017 to 2019, it was around 50% and it is now at 56% of your total output for TV. What are we going to see?

Tim Davie: I am hoping that goes down next year, because of the covid effect.

Q58 Mr Holden: What are you expecting it to get to?

Tim Davie: I don't know until we land our final commissions on what we are producing. I am not going to go further than that.

There are a couple of things here. Over the last couple of years, we have delivered about 3,800 originated hours of television—

Mr Holden: Sorry, I wanted to dive into—

Tim Davie: I want to be clear that I am hoping that we can protect the number of originated hours. I am not going to say that archive services—Archives on the BBC are a perfectly appropriate and valuable thing for licence-fee payers.



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Q59 **Mr Holden:** I agree, and I think on iPlayer and your commercial international sales, that is absolutely right. But you need to create new content in order for that stream to continue.

Tim Davie: I 100% agree.

Q60 **Mr Holden:** That means, on your broadcasting on BBC 1 and BBC 2, that is where your content needs to be. It needs to be fresh content, otherwise you are just repeating the same stuff over again.

Tim Davie: Agreed. I totally agree.

Q61 **Mr Holden:** Just going into the repeats, in figure 11 in the Report, we haven't found the data, so I would like you to commit to write to us on it. News and sport content is obviously not repeats, or mostly won't be, though perhaps "Match of the Day" is slightly different. Could you write to us and strip out the news and sport content? We can't get a really clear picture, especially with BBC 1. You have got significant news programming on there. It would be very helpful for us to have that data. Will you write to us with that?

Tim Davie: Of course; I can't see an issue with that. No problem.

Q62 **Mr Holden:** On the previous point about new content creation, do you think that you are driving people away on to other content platforms by not producing new content, or do you think it is a symptom—the other way round?

Tim Davie: I am struggling with the premise that we are not making new content. Let me give you the numbers. We make 3,800 hours on an average year of new, fresh content.

Q63 **Mr Holden:** Does that include news?

Tim Davie: That includes news.

Mr Holden: Okay, that includes news. And that's declining?

Tim Davie: The vast majority of drama on BBC1 is fresh drama. We are absolutely working on that, and I am hoping to get back to that level of origination, if I can, within the budgets we've got. It's not in my interest to drive schedules that aren't compelling and don't have fresh content. I am agreeing with you. We want to have originated content. People value us on linear services on fresh content—I agree. News counts, by the way. It is fresh content. It is live.

Q64 **Mr Holden:** It is, but you can't sell it. The difference between news and creating content such as "Sherlock" is that you can't sell it on. It has not got great IP. It's here and gone.

Tim Davie: The wry smile is because I ran BBC studios for three years, so I am very aware that, much as I love "The One Show", it's not a commercial proposition. However, it is a bit more nuanced than that, if I may. "Gardeners' World" is a fantastic programme—in my household, it is sacred—but its format? Limited. Sale? Limited. International sale? Limited.



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We could name a few countries that may be interested. The commercial market is very reductive. What the BBC shouldn't be doing is wholly designing our schedule for commercial return. No one has done more than we have for stronger—

Q65 Mr Holden: I am not arguing for that. What I am concerned about is that 31% of the BBC 1 is already on repeat; a lot of the remaining 69% is news and some of that will be sport—I am sure there are peaks of that in Olympic and World cup years. I am concerned that your long-term financing has to be based on new, premium content. That is what the commercial people against you, such as Netflix, are doing. They are creating new content.

Tim Davie: With respect, we are all over this. I come from this background. This is critical. As a group—the exec co—we are looking at what genres we are producing, the level of commercial return and, critically, how much of the IP we own. It is not just the genre split you're talking about—it's how much of that is created within BBC studios and what our IP position is. Judge us by our commercial numbers: we are going to way outperform the market in terms of our commercial subsidiary. We are growing rapidly. I expect a very good year on commercial, so judge us by our numbers on that.

Q66 Mr Holden: Mr Davie, just to finish up on this part on repeats, it would be really helpful if you could write to us with the details of the news and sport breakdown, as part of that, and if you could outline your targets for BBC 1, BBC 2 and BBC 4—where you intend to end up in terms of your actual percentage of repeats over the next couple of years. We are in a post-covid situation. Now you've got six years of funding guarantees, you should be able to give us some information.

Leigh Tavazia: Just to be helpful, in terms of the volume of content hours, if you look at figure 10, which is the previous figure in the Report, those content hours are hours produced by our content division, so they exclude content produced by the news and nations divisions. You can see that in the footnote. You can see clearly that those hours are from the content division and they exclude news and nations content.

Tim Davie: Sorry, that is my fault. I should correct that. I said that was news. This is non-news. Thank you.

Leigh Tavazia: Correct. You can see that in the notes for the figure as well.

Tim Davie: It's figure 10. That's why I was talking about 3,800 hours. I am obsessed with this. I want to get back to 3,800, if I can, within the financial constraints that we are talking about. I think the figure basically shows that, but that's where we are.

Q67 Mr Holden: That's great. I will move on to staffing levels and the numbers, which is a concern that a lot of Members will want to come in on as well. In terms of your public service staffing numbers—figure 7—we have seen a decrease of around 9% since 2016-17. However, if we flick



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to figure 17, on page 43 of the Report, we see a 14% decrease for the English regions. Could you explain why, in public service broadcasting, the regions have been hit 50% more than the UK average?

Glyn Isherwood: We have had a significant programme change across the whole organisation over the last three or four years. We have reduced headcount significantly. The nations and regions cost and supply of programmes are predominantly driven by headcount.

Our savings programme directed all our efforts mainly at the corporate area in the first instance, but more recently we have had to make changes across nations and regions, and news, so that has had quite an impact. Part of that has been around reducing down, simplifying and having standardised ways of operating across the nations and regions. That has had an impact, and the headcount has reduced by some 15% through our voluntary redundancy programme.

If you look at the run rate of spend across our different divisions, that is half the level of reduction in spend compared with corporate areas and support areas. We have definitely attacked and addressed those efficiency savings first, but inevitably we have had to move to some of the nations and regions, and direct content supply areas.

Q68 **Mr Holden:** There is a fear out there that this will particularly affect regional news services. Can you allay those concerns, Mr Isherwood?

Glyn Isherwood: In putting together a programme of change across the nations and regions, particularly around English radio, we have done a number of things, some of which have been technology-driven and some people-related.

We are trying to standardise our schedules so that, while each region is different in terms of the number of services it has, its population, the type of programming, the operational standardisation has driven a significant amount of savings, because we have had things like the integrated gallery solution, which means that we have fewer people required to work in studios and we have produced our schedules in a way that is more efficient. That has driven the headcount savings. A small proportion has been journalism. That has been an inevitable part of the cuts: we have had to make cash savings over the past three years, because of the settlement and our financial position.

Going forward, we have a strong strategy around delivering across the UK, and value right across the UK, so to an extent we can invest more. That is definitely part of our plan. We announced the £700 million extra level of funding outside the UK, to be taken from London over the next six years to the end of the charter.

Chair: I am going to bring in Ms Olney, then Mr Smith.

Q69 **Sarah Olney:** I have a quick question about how the BBC is supporting local communities, in particular those more underserved areas. There is the 6.30 bulletin for local news, but there is also a strong role for the



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Local Democracy Reporting Service, which supports communities all over the country. This room is full of people who absolutely love local democracy reporting. Will that be secure in the future? Will there continue to be a role for that?

Tim Davie: I am very proud of local democracy reporters. There were questions at the beginning, but I think 165 are now working, with over 200,000 articles posted. I think we are doing about 1,200 articles—

Q70 **Chair:** There seems to be agreement between witness and questioner on this being a good thing. What is going to happen to it?

Tim Davie: What we are getting in this discussion is, I am not going to ring-fence. It is a priority, but you will not get from here that every area of the BBC has protected status. What I know is that the 6.30 is the biggest television programme in Britain on most nights. It is incredible. Our local strength is brilliant. We have taken 30% in real terms out of the BBC in 10 years, delivered in this Report nearly £1 billion in savings and—this is important—protected all the local radio services and our regional opt-outs on television. We want to continue to work as hard as we can to—

Q71 **Chair:** You did lose a lot of staff and had to re-recruit them, which leads to a continuity issue with loss of experience.

Tim Davie: That has not been a key dynamic. We have had 1,200 people—I think 1,100 is the number in the Report—in a year. We have reduced our headcount. In covid, that has put pressure on us—

Chair: We will get to headcount around the country later.

Tim Davie: Okay. Just to be clear, it is a strategic priority for us. We are going to invest in local heavily. Personally, I would like to do more in local, in what we could do in non-linear, beyond the line, and in trying to work out how we can find money to do that. But I cannot say that no area will be—

Q72 **Chair:** I would just reflect on when we have had your predecessors in. We acknowledge that you have delivered those savings, but you delivered them by reducing headcount, often outside London, but now you are trying to recruit to keep that baseline up. That to-ing and fro-ing is not giving great confidence to staff recruited to the communities that they serve, as you lose that experience.

Tim Davie: There is certainly risk there. By the way, if you look at network news and the central functions, we have halved senior management in five years. There has been a lot of change and cost-saving in London—significant.

Q73 **Chair:** There would have to be because of the high cost base there.

Tim Davie: Indeed.

Chair: The question is at what cost they have been achieved, I suppose. That brings me neatly to Mr Nick Smith.



Q74 Nick Smith: I am troubled by possible cost-cutting in Wales. Mr Davie, I will pick up on your remarks about the 6.30 being the most interested audience by time in your schedule. I think the BBC is getting better at representing our communities in Wales. I think people are more likely to tune in if they can identify with the programming. Given the licence fee freeze, do you think that localness will be at risk? Is it one of the efficiencies that you have in hand?

Tim Davie: No. Wherever we reduce, one clear thing we have focused on as a priority is making sure the BBC is truly representative of the whole UK. If you go to Central Square or parts of Wales and talk about what has happened in the last year, there have been not only Welsh-specific commissions but network commissions based in Wales that do well in Wales that we can also use on network. I think we can become more efficient and push more money out of London.

To the earlier point, we are pushing £700 million out of London. The science unit news team—the story team now—for network is now based in Cardiff. There is no model, even with the financial pressures we are under, where we are not a more UK-wide BBC with more work going on in places like Cardiff. What that looks like, in terms of specific local output, we will continue to evolve and look at, but there is no doubt that the strength of the 6.30, the wonderful job we are doing with Welsh language services—all of that is important work for the BBC. I don't see a retrenchment to London in any way, shape or form based on what we are talking about here.

Q75 Nick Smith: I want to try to tease out some answers on both those points you just made. Mr Isherwood was basically talking about productivity changes, in terms of formatting and using tech and all that, which seemed reasonable and good, and any modernising organisation would do those things; it feels the right thing to do. However, I understand that, in Wales, 60 jobs were lost in Cardiff last year. Answer this concern: how are job losses worked through across the BBC? Was that Wales taking its share of the productivity changes you talked about, Mr Isherwood, or is something more concerning going on?

Glyn Isherwood: I think that we had a strategic approach to how we delivered those savings. We had to balance out what was possible across the whole organisation. Across nations and regions, there was a particular challenge on headcount, because it delivers services predominantly through headcount. Within the nations specifically, they were looking at ways of driving productive efficiency. That is always the first place we go to in driving those savings. Inevitably, as within Wales, they used and piloted some of what we learned from modernising across network news to deliver further savings. That is how they delivered the efficiency. There is an opportunity for them to extend some of that into other parts and other offices across the nations, but largely it is around making changes that mitigate the impact on audiences and finding the efficiency where we do across the place. We have made a really good job of doing that.

Q76 Nick Smith: You have talked about, and I applaud, the huge role of the



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BBC in programming for S4C in Wales and BBC Alba. That is great and has helped to preserve and support Welsh and Gaelic, which is fantastic. Again, will the licence fee freeze have an impact on those services?

Chair: We are trying to chip away at Mr Davie's budget planning.

Tim Davie: The S4C money is secured, and it's good to see the investment there. Look, I'm beginning to be repetitive, which I'm conscious the Chair is not going to be sympathetic to—

Chair: Everyone has their area!

Tim Davie: But we are absolutely conscious of the things that make us unique and different. Sorry to talk in clichés, but I'm very aware of the value of those services. That is not atypical of the BBC; we could be talking about 101 things that the BBC is doing that make it distinctive. One of the things we need to do as we go through making our choices is to make sure we protect that, while also recognising some of the other issues around content supply. And I think we've got a good team to do it.

The final thing I would say is that we do look at one element—and clearly there has been some pain. You cannot be in a position with the financial settlements that we had without taking some pain, because you also can't generate the commercial return from these. I would see it in the round in Wales, by the way. If you look at the environment team, look at the science team, look at what we have done at Roath Lock, look at the amount of BBC people working in Wales and the network business, the indies that we are working with on BBC Three development—all those things—that's what I want to see for the BBC. We can make a significant contribution to the Welsh creative economy, and I'm talking to people around this repeatedly. The plans we have got with big cities and with nations—these are exciting plans where the BBC can be catalytic. So it's not just about our headcount.

Q77 **Chair:** So you've got these plans; you're going to get final details worked out with the Department. When will people like Mr Smith and people in Wales know what is happening in Wales? When will people know the detail—

Tim Davie: Once we have told staff, which will probably be round about the end of this financial year.

Chair: That is very helpful; thank you. As we canter around the geography of the United Kingdom, we are off to Scotland with Mr Peter Grant MP.

Q78 **Peter Grant:** Thanks, Chair. I want to ask some questions about the BBC Scotland channel news coverage and particularly the 7 and the 9. When they were set up, the intention was that they would deliver, first of all, news that was focused on Scotland and, when they covered stories outside Scotland, that they would cover it from a distinctly Scottish perspective. We won't argue about what that means in practice, but on Friday last week this Committee published a very, very significant report



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on failures within the DWP, which got wide coverage across pretty much everywhere. I made a point of watching the centralised BBC News bulletin at lunch time on Friday, and I then watched the 7 on the BBC Scotland channel, later the same evening. The reports were absolutely identical, apart from the fact that on the 7 it was introduced, in 15 seconds or so, from a studio in Glasgow rather than a studio somewhere else. The pre-packaged report was identical—word for word, as far as I could tell. There were slight differences in the pictures it used for the voiceover, but other than that, it was identical.

At what point does spend on the nations and regions simply become—go back to being—centralised cover with a local studio or a local accent at the beginning to make it look as if it's Welsh or Scottish or regional when in fact it's still the same old BBC?

Tim Davie: It will be interesting seeing that, because obviously I haven't seen the detail of that evening. It's definitely something you can raise with the BBC Scotland team. I don't see that on a regular basis. It would be interesting auditing that, because I think that if you look at the 6.30 programming and if you look at the—I have sat and watched BBC Scotland news and listened to Radio Scotland. I would say we are in a good position with regard to a different agenda. If you're seeing that merger, I'd like to see some of the evidence, frankly. That evening may have been something you want to share with us, but my main concern is the resources for those bulletins, to make sure that they've got the right reporting capability, the current affairs capability. And in Scotland at the moment, I think we do have that. The question is ensuring we preserve that capability, going forward.

Q79 **Peter Grant:** Thanks. What concerned me particularly about that instance was that the lady, the member of the public, who featured most prominently in the coverage was from Fife, my part of Scotland. I can't say whether she was a constituent, because that was never made public, but there are only four constituencies in Fife, and none of them are more than 20 miles away from mine. Our Committee staff have worked very hard, as they always do, making contact with media organisations all over the place. They had actually set up a live interview for me on the 7, which was then cancelled at quite short notice. I am not fussy about being on television—our Chair did a marvellous job in the recorded interview that was included in the package—but do you understand how, when that happens, viewers in Scotland begin to look at the BBC Scotland channel and wonder whether it is actually delivering what was promised when it was set up or whether its budget has been cut to the extent that all too often it has to go for the cheaper option of replicating lock, stock and barrel what they can get by watching BBC 1?

Tim Davie: I understand the concern and am more than willing to take up that specific case. I think that we still have a strong case for the level of bespoke output and resources on BBC Scotland and we are maintaining a good level of investment in that channel. All I can say is that if you want to share that particular situation or some of the data around it I am more than happy to share it editorially, because that is not our intent.



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Q80 Peter Grant: I should say that there was a previous instance of someone complaining on Twitter about the BBC doing something similar and using an interview with the Chair instead of with an MP from Scotland. On that occasion, I defended the BBC because it was a Committee report that I had had very little involvement in, so it made sense to get the Chair to do the interview. You will understand that if the same person on Twitter comes back this time, it will not be something I can defend.

Tim Davie: I understand.

Q81 Peter Grant: Not because it was me who missed out on the chance, but because there was an intention to use a local MP from very close to where the star of the article lived, and there was clearly a conscious decision to pull that and instead use the same package that had been shown on BBC bulletins all over the place.

Tim Davie: You may want to get some clarification from BBC Scotland, and they can copy me in on the reply. I would say that there is no point in having BBC Scotland unless it is distinctive, properly different and relevant to Scotland versus the network, because then we really are wasting our money, so I agree with the spirit of the question. On the detail, I have not had that raised as an issue before, among the many issues that I have had raised, but I am more than happy to look at it.

Chair: I should be clear that this incident was just a recent one. We are very clear that we are a UK Committee, but we are very pleased to have our Scottish and Welsh members, who have particular perspectives, and people from different parts of the country. We will make sure as a Committee that they are given the chance to talk about what matters to their constituents.

Q82 Peter Grant: My real concern is that if the resourcing of BBC Scotland and of the BBC Scotland channel, which I realise are two distinct animals, is reduced too much, the first part of your last answer will be the only part that people will listen to: that there is no point in having a BBC Scotland. I do not want to see that. It has taken long enough to get a distinctive BBC Scotland set up; I do not want to see it dying simply because it has been underfunded to the point that it becomes impossible for it to do what it is supposed to.

Tim Davie: I can say this: any model of the future has to be that we have a very strong, thriving nations offer and we are pushing money out of London. That is where we intend to head.

Q83 Peter Grant: Thanks. In looking at the relative coverage for events that happen in different parts of the UK, I want to look particularly at the BBC website, which by definition is UK-wide at the very least and is often of worldwide interest. Within that, I want to look at sports reporting, which is completely unimportant for some people but vital for others.

If I want to find football results from the higher levels of the English league, I can see the premiership right at the start and usually the Scottish premiership, and I then go through the English divisions. If I want to find the second-tier results in the Scottish professional football



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league, I have to look below the fifth tier of the English league. If I want to look for the Welsh results from Cymru Premier, I have to look below the bottom division in Scotland, so basically the top division in Wales is relegated to division 10 in the UK coverage. Is it a deliberate decision by somebody in charge of the website to effectively say that the fifth-tier league in one of the nations of the UK is more important than the top tier in one of the others?

Tim Davie: Whether or not it is a deliberate decision, it is just the listing of the leagues as it sits on a UK basis. I have the feedback. One of the things that I am very interested in is about the digital world. If you look at our strategy for how we get value to audiences for their licence fee, the third lever is making sure that we get more out of online.

This is where the BBC can take a big leap. I am a sports fanatic and I go to my leagues and my results; my vision would be that in the future, when you come to the BBC, it will know it is you and you can put what is relevant to you at the top. That is the process of personalisation that we need to go on, to be honest, because everyone will have a view on what the rankings of the league listings are, and we are not going to make everyone happy. What I can do is that if you are signed in, we can begin to tailor it, in a way, and that is the way through, frankly. That is the way we are going to fix your issue, which I understand.

Peter Grant: You are speaking to someone who makes a point of turning off cookies everywhere, because I do not want somebody at the BBC to know what I am watching, but that is a personal choice.

Chair: You can't win, Mr Davie.

Q84 **Peter Grant:** Can I raise one similar, related issue on that? I am still looking at sports results as an example of the kind of thing that is happening. I can quite easily find the results of the most recent matches in the English women's super league, and on any of those results, I can click and get a match report: who scored the goals, who got sent off—the full works. I cannot get that detail for the Scottish women's premier league. I checked today: I can find out the scorers and a match report for a match that involved a team that was sixth or seventh in the Spanish men's football league, but I cannot get the same information for the top teams in the Scottish women's premier league.

What are the BBC doing, first of all to balance out the imbalance between the different nations of the United Kingdom, but most importantly, to stop the ages-old problem of treating women's professional football as a poor relation to men's? I understand that women's football, club and national, is given a lot more prominence in BBC coverage, which I applaud. I also applaud the fact that BBC Alba, of all places, was very supportive of women's football in Scotland, before even the English-language stations in Scotland cared about it. However, we are still in a position where anyone looking at the BBC sports website is given the very definite message that women's football, certainly in Scotland, is not as important as men's football in Spain, because it is easier to get



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details about men's football matches in Spain than it is to get details about women's football matches in Scotland. Is that acceptable?

Tim Davie: I think it all comes down to what resources we put to what size of audience. What I mean by that is we have to make decisions about where we put our resources, and I would love to be able to do fuller reports on women's football in Scotland. Whether the team, with their resources, can get to that at this point in its development is a question. I thank you for your comments, because the BBC has done more in terms of women's sport—whether it be the Hundred or the women's Euros—

Q85 **Chair:** We are not so much talking about women's sport. The point is that quite often, these games are covered by stringers who then feed in. It does not have to be a full—

Tim Davie: Isn't the best thing for me to say, "Noted"? We are absolutely driving our coverage of women's sport. I will take that away and have a look at it.

Chair: Thank you very much, Mr Grant. Mr Shaun Bailey MP.

Q86 **Shaun Bailey:** Thank you. Mr Davie, as part of your commitment to the west midlands, I understand that a £50 million tender notice was put out in regards to the BBC in the west midlands—I do not know, Mr Isherwood, if you want to comment on this. It was reported a couple of weeks ago that, given the unexpected announcement from the Secretary of State in regards to the licence fee, that investment in the west midlands might now no longer be happening. Could you perhaps give a quick update as to what the position is on that, what that is going to look like, and also what the future of the BBC at the Mailbox is going to be?

Glyn Isherwood: Tim might want to comment. I think we are looking to make a significant commitment around the west midlands. We have been in the Mailbox for some time. Its lease comes to an end in due course, and it is appropriate that we look for a property appropriate to accommodate staff and our investment in the region over the next few years. It all aligns with an out-of-London stretch that we are doing, and clearly, as Tim has already said, that is an important element of our licence fee settlement and maintaining that commitment for audiences across the UK.

Q87 **Shaun Bailey:** Is the £50 million that has been reported still on the table, or is it under review as a result of what we have heard?

Glyn Isherwood: I think Tim has been pretty clear: all things are on the table in terms of how we work out our financial planning to the end of the charter. Things that we would have announced recently would have been done in the light of knowing largely what the expected settlement was, so in most cases, things that had been announced recently would still be on the table.

Q88 **Shaun Bailey:** In terms of your assessment of that regional offer, have you done any specific assessment around the Black Country, in terms of the benefit it is going to receive from that £50 million?



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Tim Davie: I haven't, actually.

Q89 **Shaun Bailey:** Can I ask why? We have a population of more than a million and I am conscious that there are a million service users there and no assessment has been done. What is the reason for that?

Tim Davie: Because that is part of our overall allocation in respect of what we do with the midlands. Just to be clear, with the money we are looking at investing, we are doing a lot of work with the mayor of Birmingham and others in that region—

Q90 **Shaun Bailey:** Sorry, just to be clear: he is definitely not the mayor of Birmingham. He is the Mayor of the West Midlands.

Tim Davie: The Mayor of the West Midlands. You could hear my hesitation. Apologies—I am corrected. He will kick me under the virtual table on that one.

Chair: Your strategic partner.

Tim Davie: Yes, I have offended a lot of people with that one. What we have got is a plan with a number of elements to it around the investment.

Q91 **Shaun Bailey:** I do not want to ask a flippant question but, given the reticence of some BBC staff to relocate, I am slightly conscious of this. Mr Davie, you are aware of where the Black Country is, aren't you?

Tim Davie: Yes.

Q92 **Shaun Bailey:** Could you give us an indication of where you think the Black Country is?

Tim Davie: Just up from up from Birmingham, isn't it?

Shaun Bailey: Okay.

Chair: You're letting him get away with it.

Tim Davie: It is Birmingham-related.

Chair: We are thinking of furnishing every witness who comes before us with a map of the West Midlands with a clear indication of where the Black Country is.

Q93 **Shaun Bailey:** I am not trying to be flippant, Chair; I am trying to make a point about the regional issue.

Tim Davie: Can I just say something about the West Midlands? There are two major and important things going on there that are exciting and that we could talk about outside this. First, in terms of digital skills and creative industry skills, we have said we will form an apprenticeship training agency with the West Midlands and Create Central, which is about getting talent not just from within Birmingham but from the broader region. That has been part of the discussion. What that has not done is affect the local provision of services, where it is about talent, which then brings people in



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who can make productions. We have got to bring major productions into the West Midlands.

As you will know only too well, the area in Digbeth is exciting. I know it is in the centre of Birmingham and I know it is not the Black Country, but it provides the ability for people who are developing their careers to not just have to go to London. We have been in a position where we want to invest more in the West Midlands. We are talking to the Mayor of the West Midlands and to Create Central. Honestly, I think we have been a bit on the back foot in the West Midlands, in the mailbox—

Shaun Bailey: Agreed.

Tim Davie: Agreed, yes. So we needed to do things. With the backing of people like Steven Knight, the inspirational writer of "Peaky Blinders", the vision around the studio there and investment from other people, we are part of a number of players that I think will have a massive impact on the West Midlands region.

Shaun Bailey: That is great to hear, Mr Davie.

Tim Davie: That's the money, and I am not stepping back from it based on the licence fee settlement.

Q94 **Shaun Bailey:** But you can appreciate my concern, which I touched on before. For example, we had the news reports last year of "Newsbeat" staff effectively refusing to move to Birmingham. My concern from that is the buy-in from you as an organisation. We are trying to move away from this London-centric focus; as the leader of that organisation, how can you ensure that you are truly buying into this when your staff are saying, "I'm not going there"? It is a big kick to my region, isn't it?

Tim Davie: Absolutely. But go and talk to people in Salford. I remember sitting with those radio teams and saying, "This radio strand is moving to Salford." It was not an easy meeting. I have been through relocations myself—these are tough things. This is my strategy, with the top team, and we are unblinking in our belief that for the long term the BBC should be located across the UK. Frankly, you are going to hear a bit of noise from teams that may be relocated, but we are not blinking and we are staying with our plan.

By the way, I know that throughout the course of this hearing we have been saying, "We can't underwrite this and we can't underwrite that." What I would say is that the out-of-London plan remains firm, strong and committed, and we will deliver it.

Q95 **Shaun Bailey:** Are you confident that that will reassure local stakeholders? From the conversations I have had, I know that when those sorts of comments are made it undermines the confidence of local stakeholders who are trying to become part of this.

Tim Davie: With the greatest respect, if I got undermined by every bit of noise as you drive change, I would not be doing anything. There is going



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to be a bit of chop—if I may use that word—if you are going to relocate staff. In a public-facing organisation, there is going to be a bit of noise. But we are committed to it.

I would say: go and visit Salford and other areas where we have been through that journey. It is incredibly powerful, and it is not just about the BBC. The exciting thing about Digbeth is the deals with other companies—

Shaun Bailey: Yes, I have seen Digbeth.

Tim Davie: It's absolutely brilliant and we are going to see it through.

Q96 **Chair:** Mr Bailey is probably going to lay on a big spread for anyone who wants to see the beauty of the Black Country.

Tim Davie: What is critical is that I will be coming, I feel, to the outskirts of Birmingham and to the Black Country on my next visit.

Chair: I think you are probably the fourth to be doing that.

Tim Davie: I think I am committing publicly to that.

Q97 **Shaun Bailey:** I have just two final questions. You have touched a bit on this regional strategy—this out-of-London strategy—but will there be a focus on ensuring that it does not become a centralised out of London strategy? You touched on it there in terms of the broader impacts not just benefiting Birmingham but the Black Country and obviously the other parts of the west midlands. *[Interruption.]* And that is a commitment.

Finally, will we hear words like *wo, do, cor, ay, soft, bonk* and *cut* being said on BBC programming? That is how my constituents speak and what they say every day. Will they be represented in your programmes? At the moment, they are not.

Tim Davie: I have already got myself into dangerous territory, so if you quizzed me on local dialect, I really would be out of my depth. As a south Londoner, I ain't playing that game.

One thing that out of London is about is relocating BBC teams, but it is also about locating more drama and more properly written stories in those communities, so that people do not have to move. That is what Digbeth is about—it is the vision we are talking about. The apprenticeship programme, so you get more writing—give us the local writers, the local sitcoms, get BBC3 commissioning and create indies that want to work with us.

I can tell you about areas, like Belfast—transformational, in terms of what we are doing on the creative economy there—or Salford. I get very passionate about it, because I think there is opportunity for more regional voices. By the way—this goes back to the earlier question about commercial—some of the most local dramas travel well. It is a very differentiated strategy for us. We don't want homogenised, mid-Atlantic drama.

Chair: You will whet Mr Bailey's appetite.



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Tim Davie: Give us a good Black Country drama, get us a script and let's get cracking.

Shaun Bailey: I look forward to a programme written—

Chair: I now turn to Mr Richard Holden, to see if he can up the ante on local dialect.

Q98 **Mr Holden:** Indeed. Maybe if you had offered them jobs at "Newsbeat" in the Black Country rather than Birmingham, they'd have moved there in their droves.

All the Members have made important points around this regionalisation of things. That brings me on to figure 8 in the Report; it goes back to the content and staff element of what we have been questioning. Figure 8 says that the BBC's total spending on content fell by 12% in real terms between 2016 and 2017, mostly in television.

You have been telling us that the efficiency is being driven as much as possible with central staff and then you had to start moving into the regions. Yet in real terms the staff budget from 2016-17 is only down by 1.5%, as you can see from figure 7. So, we are seeing a 10% reduction in content spending compared to a 1.5% reduction in staff spending. How can you marry up those two figures?

Leigh Tavazia: In terms of spending on staff, I think it is helpful to understand that we have seen a 9% reduction on public service headcount, as we have talked about already and as is in that same chart. Therefore, the reflection on staff spending reflects that. However, we have at the same time invested in the World Service and we have also invested in commercial, in terms of headcount.

You draw our attention to figure 8, and when you look at that content spending, you see that we have largely maintained the content spend over the last four years, but we have seen a drop in the most recent year of '20-'21, specifically related to covid. We did drop from an average £2.8 billion-worth of spend to that £2.5 billion-worth of spend, and that is largely related to covid.

We are also seeing costs per hour for drama increase, so we talk about that in terms of super-inflation. That actually is the big challenge for us when we look at hours of content spend—it is how we balance off the increased cost, particularly in certain genres, such as drama or natural history, where that super-inflation is running up to 9%. With the resources that we have, we are absolutely balancing the spend that we can create on content in certain genres. Of course, we expect to be able to continue to really maintain our focus on origination content hours, which we have already discussed today.

Q99 **Mr Holden:** There are two ways of viewing this. Is there just too much competition for you in the UK for staff, basically?

Leigh Tavazia: In some areas and in some job families, there is extremely high competition for staff. That is not just in the media industry; that is across many industries. For the media industry, BBC staff



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in commissioning and content creators are in high demand. We see them being poached often by our competitors. Big US media companies are coming to the UK. They are attracted by the creative economy of the UK. They are attracted by the capability of our creative colleagues, and in the BBC in the quality in particular. That is somewhere we are challenged.

More broadly, another aspect that I would draw your attention to in terms of the challenge on staff is technology and digital, and software engineering. That is not a media-related industry challenge; that is across multiple markets. We absolutely see that there is very high demand for digital talent. Like many organisations, we are working extremely hard to continue to attract our digital capability as well.

Chair: Sorry to interrupt, but we are aware that there may be a vote quite shortly, so we need to keep an eye on the pace.

Q100 **Mr Holden:** Thank you, Chair. A final question: I understand that there is competition with staff costs, but your average salaries are just under £70,000 a year, according to figure—

Tim Davie: That is staff costs, not salary, to be clear.

Leigh Tavazia: That is a fully loaded cost, so it includes all your employer—

Tim Davie: Salary is around mid-40s. You have a fully loaded cost, with all the various—

Q101 **Mr Holden:** Without pension, national insurance and things it is about 20% below that; okay. Even so, if you are facing increased competition in terms of staffing, what are you doing about it as an organisation to ensure that you are getting that talent pool coming through?

Leigh Tavazia: I would make two comments on that. As you were saying this morning, Tim, we have been talking to staff, because of the cost-of-living increases. The pressure on household bills is acute at the moment, and we are really aware of that. That is no different for our people than for many individuals, and for the public across the UK.

Q102 **Mr Holden:** I understand that. That is a short-term issue. The key is that, in the long term, you are going to need some of these staff. There will be short-term price fluctuations, and so on, but you have to be looking—

Tim Davie: There are a few things. Keep the number of senior management low. We are at 1.3%. I know that there is a lot of noise around it, but we have halved it in 10 years. I do not want to see it go up. We want to keep it at 1.3%, which is way under benchmark. The second thing is that, in some instances, we can take an exec producer of "Green Planet" who is one of the best in the world and put them into studios, where we are not burdening the licence fee payer. They can then be paid outside the licence fee in terms of the commercial return that that makes for the licence fee payer. The third thing is that, in some instances, I think we want to have fewer people and to pay them slightly more in areas like technology to remain competitive, but we have to make those choices and



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we have to make them cleanly. We are being very direct with the staff on that, by the way.

Q103 **Mr Holden:** I understand that. I suppose my final question ties back to the regional element. Surely staff costs are lower outside of London. Why then are you not concentrating on more content creation outside of the capital?

Tim Davie: Well, I couldn't be working harder. We are putting £700 million and hundreds of people outside of London.

Q104 **Mr Holden:** But you have seen regional numbers decrease compared with the national.

Tim Davie: With respect, they are the regional news numbers. When we relocate a strand out of London—we pushed "Newsbeat" out—that does not come in the local news headcount numbers that are in the Report. With technology teams and central news functions, we are putting hundreds of people outside the M25.

Q105 **Mr Holden:** And not just to Salford.

Tim Davie: Definitely not just to Salford—absolutely not. We have put 70 tech people into Newcastle, and we have been working with the three combined authorities, the 12 local authorities, £25 million investment into the north-east—I could go on.

Q106 **Mr Holden:** It would be very helpful to back up those with a breakdown over the last 10 years of your numbers of staff in different parts of the country, excluding, obviously, the local news and local content.

Tim Davie: If I may, the other thing we should give you is our forecasts based on what we want to do in the next three years.

Q107 **Mr Holden:** It would be great to have what has happened so far.

Tim Davie: I understand, but having led the BBC for a year and a bit, we have done really great work in terms of out of London, and we are going even further. We are agreeing; I will just add in the plans that have already been announced and that we want to see through.

Q108 **Mr Holden:** I am glad that with your six-year settlement, you are able to plan ahead.

Tim Davie: That is definitely true.

James Wild: Mr Davie, you said when you were appointed that you wanted a simpler, leaner BBC. What does that mean in terms of staff numbers over the next period of the licence fee settlement? *[Interruption.]* Oh, we do have a vote.

Chair: Order. We are going to stop broadcasting and suspend.

Sitting suspended.

On resuming—



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Chair: Welcome back to the Public Accounts Committee on Wednesday 26 January 2022. We were just interrupted by two votes while discussing with the BBC its plans for efficiencies and reform in the light of the licence settlement. We will go back to Mr James Wild MP, who was just asking a question as we were interrupted.

Q109 **James Wild:** Thank you, Chair—Take 2. Mr Davie, the BBC secured a settlement worth £23 billion over the licence fee period. That gives you a huge amount of certainty and a huge advantage—no commercial broadcaster has anything like that. I know that you might be disappointed by two years of the freeze, but I think £23 billion is a lot of our constituents' cash. When you were appointed, you talked about a simpler and leaner BBC. What does that mean in terms of workforce and pay reform over the licence fee period?

Tim Davie: First, I agree with your statements on the certainty that the licence fee brings—I do not take that lightly. Your points on that are well made. I would indicate a little bit, in terms of direction of travel, what has happened in the last year. If you look at figure 7, we have taken our public service broadcasting headcount. As you will see, it had not been going down for some time, but we have reduced headcount there from 17,731 to 16,424.

I do not have a specific number for the exact headcount, because I want to do the work now that we have the licence fee, and I have talked about the timings in laying out a plan, which is not far from us. I also think the staff should hear first. But I can tell you—I was even talking to staff this morning—that I think we are going to see a decline in the number of people on the books of the public service. There is a balance here, because I also want to increase the number of apprentices coming through the system, as I think the BBC can play a very good role there. I think that is important.

On pay, I think we continue to offer a very significant discount to the market in most places we operate—this is of course sensitive, by the way—at the top senior level. We are under enormous pressure in terms of the technology staff. I think we are going to constantly be proactive in managing what we call the pay grades. We will continue to offer a significant discount; we will continue to use the commercial arm where we can, to not put increased burden on the licence fee payer, and to be creative in that.

Finally, we will keep simplifying structure. We have merged; we had a director of radio and a director of television—gone. We have restructured; the executive committee was 17 people when I took over, and now it is 11. We are reducing the amount of bureaucracy and the number of senior heads in the organisation.

Q110 **James Wild:** That is certainly encouraging but, as paragraph 11 of the NAO Report points out, the pay reforms that you have gone through have not generated savings particularly. What numbers will we see over the next period? You mentioned the average staff cost, but the median BBC



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salary is significantly higher than across the rest of the economy. What are you going to do to drive down those costs?

Leigh Tavazia: I would just like to answer your question about pay reform and the points that the NAO made. That Report rightly states that the significant pay reform that the BBC has gone through in the last few years has been significantly focused on transparency and fairness. There were multiple sets of terms and conditions, policies, processes and so on across the BBC, so the pay reform has been significantly focused on making sure that that is standardised. We have a very clear career path framework now for colleagues across the organisation, and very highly transparent job descriptions and job families. I think that work has been done very successfully. The NAO was correct that that was not specifically focused on cost; it was focused on transparency and fairness across the organisation.

How we use that career path framework is really important for staff. Once you are in a job family and understand where you are, what is your opportunity to progress in your career, and what does that mean for your pay and how does it progress? We have some work to do there. That is one part of the EHRC recommendations that were made when pay reform was done at the BBC, and that is one piece that we will continue to focus on and will deliver as well.

We have very clear parameters around the relationship of our pay to the market. When the market is moving significantly, that challenges us. We have already talked about commissioning and highly creative areas, as well as some of the technology functions too. It is critical going forward that we absolutely have the right pay proposition to be an attractive employer. That is essential. We are in a highly competitive market; we need high-quality colleagues, and we need to be able to retain those colleagues, so absolutely, the pay proposition for colleagues going forward is something that we are—

Q111 **James Wild:** Presumably, there is a premium in working for the BBC—it is a national institution with a worldwide reputation—so you would not necessarily expect to pay the full market rate. Is pay reform over the next period going to be part of your savings plan? Are you going to drive costs down at the BBC?

Tim Davie: If I may, what do you mean by “pay reform”? By the way, there is no scenario in which we are not a discount to the market. In my senior team, I do not hire anyone who could earn a multiple of their salary, and that is proper. I am not sure it relates wholly to the BBC’s pure reputation, because there are companies with great reputations, but it does represent people with a real desire to serve and the public service purpose of the BBC.

Very specifically on your question, I do not see driving down average pay—mean, median, whatever—as a key metric. That, to me, is the wrong metric, if I may, in terms of the organisation trying to drive more return and value for a licence fee payer. I think there is a different thing,



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which is that you have got to drive down headcount to the point where you have the maximum productivity for your workforce investment. I do not think that is about stripping yourself down to the smallest, and to just drive down average salary.

For the first time in its history, by the way, 90% of people at the BBC have had a performance appraisal this year, or what we call “my conversation”, if you will forgive the jargon. For the first time, the top 350 leaders are being assessed through the senior leadership index. I want accountability, delivery of results, and fewer people on our books, overall, in the public service. We have to watch it—we watch that number like a hawk—but I don’t think that is the key metric to get more efficiency for the money.

Q112 James Wild: Sure. You have talked about headcounts. When would we expect to see actual numbers—what you are aiming at? I appreciate that you would want to mention that to the staff first, but when?

Tim Davie: The first phase, I have said, at the beginning of the next financial year, will lay that out. We have been planning prudently, and we have plans in place anyway, so we are seeing through our current savings plans, as you will have seen. We are already going through this anyway. However, if we are going to go further than that, we will lay that out to the staff in the coming months.

Q113 James Wild: Fine. The Secretary of State made a point in her letter about the cost of living pressures. Are you looking again at the salaries of your on-air talent, which I appreciate are not a huge part of the budget, but the signal that sends to licence fee payers is an important one.

Tim Davie: Indeed, it is an important one. I agree. We talked about this before in the Committee. We have, as you know, done a lot of work; we have driven it down 40% since 2013-14, and we continue to get reductions.

I appreciate your observation, because often we do lose that perspective. Even if we brought all of the 70 people in our talent down to £150,000—which is still a bit number—it would only save £10 million, but I take your point. It is sensitive.

The short answer is that we are trying to drive down to appropriate amounts in all of these negotiations. However, we are in an inflationary market. That top talent is delivering extraordinary value in the impact it delivers. If you take just the top talent, it delivers about 40% of our impacts. Of course we need to grow talent, and of course we look to save money. We will continue to do that on a daily basis. However, I think, appropriately, we need to be able to invest in a small number of talent who are delivering particular returns for the licence fee payer.

Q114 James Wild: When we met as a Committee, I think back in March last year, we talked about how likely a freeze was, certainly for part of the period of the licence fee. In July, the previous Secretary of State laid out that that was what the Government were intending to do. I assume that those plans are extremely well developed—to close the gap, and you



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have talked about £285 million—and that you have been doing the work to deliver that.

Tim Davie: We have been doing some initial—the other thing that we have been prudent in is our budget planning, particularly for next year and beyond, so that we are in the right position. Despite all the sound and fury, what has happened is that we have good commercial performance, and a good number of licence fees into the licence fee income this year. I expect us to turn a good number—and a good number of households, because that is not widely reported.

So we have a good financial base, and we have been prudent in our planning. Remember, we have a lot of savings plans in train now, which we are seeing our way through. That is why I have said, publicly, that I don't need a knee-jerk reaction to make next year work—bluntly—but I need to set out a plan. We have done some of the work and thinking on that. We will do more of it and make decisions. You have heard around the room this afternoon that everyone has a view on where those savings should not occur. The question is, where do we make them to close that £285 million gap?

If I may, I think the simplicity of the £285 million—£285 million is the number, by the way—but there is a bigger discussion, which I sometimes think we miss, which relates to your well-made point about this £23 billion: if you have £4.2 billion, we will also have to repurpose a lot of that money for a digital age.

It is not just about making a saving and keeping going; it is also about what kind of BBC we want in '27 in terms of digital products and all the things we have talked about—for instance, what is the local offer in '27 to make sure it is strong? There is going to be a lot of work within the number, not just on the edges of it.

Q115 **James Wild:** Yes, I think the Report should be reassuring for people, given that you have delivered nearly £1 billion of efficiency savings. I am confident that there is more you can go after to close that gap.

Tim Davie: The only issue on that is how much you get towards frontline services. That is the issue.

Q116 **James Wild:** You mentioned earlier that there is a bit of chop in some of the decisions and when you are doing some of this stuff. Is that why you are behind where you should be on news and nations changes?

Tim Davie: No, it is not. It was more, simply, the challenges of delivering through covid and the enormity of what we were putting staff under, frankly, to just keep our news services going in some of those areas when we were facing covid restrictions. That was very significant.

Q117 **James Wild:** Right. When will the reforms to the news be in place?

Tim Davie: We are well under way. Leigh, is there anything you want to say?



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Leigh Tavazia: Yes, absolutely. We have delivered the majority of the Modernising BBC News programme, and we are working through closing that down through formal project closure. Then we have residual—

Q118 **James Wild:** Is that by the end of the financial year?

Leigh Tavazia: Yes, I absolutely expect so.

Q119 **James Wild:** Because the Report said you were losing about £1.7 million a month in terms of savings that you have not realised.

Tim Davie: That was when we were doing it. We are now motoring on.

Q120 **James Wild:** What is the figure now?

Leigh Tavazia: We are still going to deliver £75 million-worth of value through Modernising BBC News.

Q121 **James Wild:** What was the original target?

Leigh Tavazia: I think it was £87 million. That programme has been delivered strongly, and we have continued to focus on that. I expect a further £5 million or so to come through in the next financial year as we close out the programme, but we will formally close the programme down and run the residual remaining activities through a BAU process in the news team. That is just how we will run it from a process perspective, but we started that programme right at the beginning of covid, and the absolute priority at the time was to ensure that we could continue to deliver our news services from home, in different environments and in a safe environment for broadcast critical news. We had a period of about three months between initial starting and summer 2020, when we actually got going. That was still a very challenging time due to covid, but we stuck to it. I think the team have done an incredible job of making sure that we can deliver. There has been a fundamental shift in the operating model for news, with huge implications for colleagues in the news division as a result.

Q122 **James Wild:** That brings us to figure 5, and I want to talk about productivity. Why is it acceptable that improvements in productivity have fallen away over the years, and that the proportion of savings coming from productivity reforms has gone from 50% to 36%?

Leigh Tavazia: Certainly in the Delivering Quality First savings programme—the programme before, which the NAO Report refers to—70% of the savings came from productivity efficiencies. In the most recent reform programme, whereby we have delivered £970 million-worth of savings, only 36% has been delivered from productivity. We have about 2.3% annual productivity savings. Of course, we have landed the big changes through that, focusing largely on third-party contracts, our property portfolio and structural changes in the organisation. Those things were significant parts of landing productivity efficiencies early on. They are getting harder to do. That is not to say there isn't more. We are certainly continually looking at the way we work. We have learnings from covid—how our property portfolio can change as a result of covid and hybrid



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working. There are further areas we can do there. Our technology can continue to help us to drive further efficiencies, but we can expect productivity efficiency to be in the range of about 1.3% to 1.5% going forward. Yes, it is getting harder to find productivity efficiencies, but it is always going to be the first place that we go to in any savings programme that we need to look at over the next few years.

Q123 James Wild: Obviously, you have known for some time that there was likely to be this settlement. Have you got developed plans in terms of driving further efficiencies from technology and some of the other areas you have just outlined?

Tim Davie: We are working through target lists. It is everything that you would expect as operators: the property portfolio, the tech and the third-party contracts. I have to say that the pressure is on us, because we are buying a lot of energy. We are doing other things that are inflationary, so that puts increased pressure on us, but you never run out of ideas in terms of where we could get further productivity, and that is what we have to work on. To be clear, the base plan had productivity assumptions in it, so we have to go further than that if we want to make sure that some of the £285 million does not get directly to licence fee payers. It is as simple as that. We already have core productivity efficiency in the plan, because we have further savings to get. You are right; we obviously look for further ideas, and we are in that process now.

Q124 James Wild: I want to return to the commercial income, which is something that we talked about when you were here previously. Here I disagree with Mr Smith a little bit. I am not sure that your target is as ambitious as it could be. You said that “we have committed to 30% growth and I think we can go a lot further than that.” That is what you said back in March when you were in front of the Committee. How much further can you go?

Tim Davie: I am committing to the aggressive target here. You are not going to get me on a number in terms of how much further we could go. As we look at setting our budgets over the next few months, there is an important point: we have only just got agreement to the increased debt facility. We have a confirmed CEO in the commercial subsidiary. We have some new members joining the BBC board—the likes of Damon Buffini—so we are doing some work on what the stretch-plan beyond the base would look like.

I am ambitious for the commercial subsidiary. I think that there are areas where we can continue to look for more growth. We have combined Global News Ltd into BBC Studios, which I think is helpful because it gives us the financial horsepower to look at areas such as subscription news internationally. You will see us come with plans—not all of them will be cash-accretive in the short term, as you can imagine. As Netflix will show you, it can be pretty brutal getting into a digital game, so we have to choose carefully. Talk is cheap here, but you can lose a lot of money fast.



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I have some areas where I think we can look at robust business plans. We have done a very good job at delivering a £1.6 billion subsidiary, growing ahead of the market and delivering an annual return. That is the problem; it would be easy if we were just an equity investment and could burn through cash—we are not in that position. The debt facility helps. We are not driving enterprise value; we are driving return. The differences, in terms of our business choices, are quite profound.

To answer your question, I cannot give you a number now, but I think we can go north of what you have heard is already an ambitious plan. I am clear that we can go further.

Q125 **James Wild:** We are just keen for you to be as ambitious as possible.

Tim Davie: The issue is, as the NAO reports, the apple and pears thing. I will explain what I mean by that. The license fee is curiously effective, and I don't deny that. We can debate the ins and outs of the mechanics of collection, but for a relatively small amount of money we get in £3.7 billion and then we spend it. The issue on the commercial side is that you have got all those costs. Actually, our margins on the commercial side are good but we are delivering a return of £200 million. That is material to drama and natural history.

In terms of really making a massive impact on the BBC's revenues, you have to go a long way. Even if we hit our plan, that gives you about £50 million more a year. I want to give scale to this, because there is a lot of talk about, "If the BBC got to a couple of billion pounds in revenues it would not need public funding." We need to get the mechanics of the margin in there, and the cash that it delivers rather than the reported EBITDA.

Having said that, I do think that within this period we are setting ourselves ambitious goals, to answer your challenge to see if we can go further than we have, and to have a seriously material impact on the BBC's finances—above and beyond where we are today. A £200 million return is incredibly important, but it is not utterly transformational.

Q126 **James Wild:** We talked about the debt and the borrowing limit last time. It is good to see that has been increased. Where are you in terms of the Secretary of State's letter that talked about "hoping to swiftly conclude discussions on details about oversight arrangements"?

Tim Davie: I don't know the exact—

Glyn Isherwood: We got notification in November that we were likely to get an increased limit, which is really welcome for the plans we have in place. We are in discussions with the Government now about the oversight arrangements. We are hoping to conclude those within a matter of weeks. I do not expect that to take too long. It is about ensuring that we have good governance arrangements in place, overseeing the amount of debt we take on and the risk involved and a modest level of communication reporting across the Government so that they can protect the interest. The borrowing sits on Government balance sheets.



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Q127 **Chair:** So it is certain—you are just fine tuning the governance, basically?

Tim Davie: Correct. It is the oversight arrangements.

Q128 **James Wild:** What is your current level of borrowing against the existing £350 million limit?

Tim Davie: At the moment we have £350 million. This year we expect to be in the position where we have about £200 million drawn. The £750 million that we have negotiated gives us a good level of additional firepower.

Q129 **James Wild:** That comes in stages, doesn't it? It doesn't go straight to £750 million.

Glyn Isherwood: We get to choose how we deploy that. Although it is a limit that has been set, we then have to raise it in the commercial-lending marketplace. To do that we have to clearly set out plans and have a good level of profit on which we will draw that debt down. We will phase that in over a period, in line with a strategic plan.

Q130 **James Wild:** Again, when should we expect to see some firm plans? You have been asking for it and you have now got it—when are you going to start using it?

Glyn Isherwood: It comes, more broadly, with the corporation plan to set out over the next number of years. The initial plan and the 30% increase are based on an existing level of borrowing. As Tim says, we have an opportunity to stretch that further now.

Tim Davie: I think the priorities are clearly some of the things that we have talked around—IP, direct-to-consumer investment. We have already been public about some of the things in terms of ensuring we can— I have already talked, earlier in this session, about where is the best place to spend IP to secure long-term return? You are looking for long-term return here. I have also mentioned areas such as subscription news services internationally. There is real opportunity for us now with this investment to do that.

Q131 **Chair:** You have a six-year settlement with the licence fee. You have then got a review. You will have other income coming in. How long do you expect to be paying back that borrowing? How much is very long term?

Glyn Isherwood: It completely depends on the plans. We have current facilities that come up for renewal in 2025. We will phase in a level of lending through that time and we will need to make sure that that lending is appropriate to the case and business plan. Some of that will be longer term investment on day-to-day operations. Some of it is an immediate requirement for content investment. We will draw down the level of debt over the right time period, which will generate a level of return.

Tim Davie: I think as a general principle, by the way, the business is under-leveraged. You may want to keep that leverage for some time—I



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am not pitching. The issue is the validity of the business proposal—the return we are getting for the cash we are throwing up. BBC Studios, if you look at the investment in UKTV, Britbox in the States, is seeing very good performance versus business cases. This is straightforward. I want a world-class BBC Studios board that is overseeing this. Clearly, we have published our plans. We are absolutely looking at business cases.

The issue, as I said earlier, is that we are within reasonably tight constraints in that we need to see returns from those proposals relatively soon, not like some longer-term businesses in the digital space that frankly will not make any money for a long time, but you are betting on a 10-year vision. We have not got the luxury for that, but this debt gives us some more flexibility.

Q132 James Wild: You mentioned Britbox and the US. When you came before the Committee in March, you said you were approaching 2 million subscribers in the US. What are the latest figures?

Leigh Tavazia: We are at 2 million subscribers in the US. We plan also to launch Britbox International into a number of other countries as well. I think the plans are ambitious.

Q133 James Wild: Have you got a public target for your subscriber aims in the US?

Leigh Tavazia: No, we have not set that.

Q134 James Wild: Are you ahead of where you would hope to be?

Tim Davie: We are ahead of the original plan in terms of our financials. Subscriptions I think are broadly in line. We had said we were going to 25 new markets. We may need to come back on whether we are public on the target globally, but we would like to see significant increases in the Britbox target globally.

Q135 Chair: Netflix is a lesson there about how fast you can grow and when it peaks.

Tim Davie: Yes, and also, Netflix is not the only model. We have not exploited the news opportunity. You certainly need to get to more scale than we are at. It is a very profitable niche for us in the US and we have bigger ambitions than that.

Q136 James Wild: You mentioned collecting the licence fee, which cost £136 million last year, but has been over £100 million for the last three or four years. Is that an area you have looked at—to see if you can drive that number down? It is not going to drive huge savings, but every little counts against your £285 million.

Glyn Isherwood: We have a long-standing arrangement with Capita. Over the last number of years, we have driven the value of that down. Of course, the additional costs that we have taken on have been largely around developing and delivering on the over-75s. Taking on another 3.9 million customers has driven a certain amount of cost increase in that area. We have been in negotiation around looking at the cost of that



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service going forward. Of course, there is an inflation element involved in delivering that. Some of the costs are marketing and also postal costs. We cannot email a household—you have to sort of drop them a letter if they are not currently registered. As you know, postal costs have also gone up. We are seeing some level of inflation, but we look to make efficiencies absolutely where we can across the board on that.

Q137 **James Wild:** How long does the contract with Capita have to run?

Glyn Isherwood: The latest contract has been negotiated out to the end of the charter.

Q138 **Peter Grant:** Can I come back to the question of pay, particularly for the highest earners at the BBC? If you look at senior management, senior production and technical staff and senior presenters, are there people in the commercial media sector whose jobs are close enough for a fair comparison with the salaries being paid at the BBC? If so, does the BBC tend to pay more than, less than or about the same as the commercial world?

Tim Davie: We do what are called job family benchmarks, where we look at the market. In some areas we pay pretty close to the market; in others we pay at very significant discounts. Dare I say it, my senior team is at a very heavy discount versus the market—they are on high numbers, but they are at a very significant discount to the market. If you look at our creative talent, the people picking our dramas or the commissioners, there are very significant discounts to the market.

By the way, since I last talked to you the risks around talent drain have got higher. It is a polarised market; what I mean by that is that those people who are really the best taste makers or the best technical people are under enormous demand and are often picked up from the BBC on multiples of their salary.

The answer to your question is that we do benchmark rigorously. In most cases we offer some degree of discount, but not in every case; we may pay in line with the market. That is how we do it. It is a pretty rigorous system, and we will pay a discount if we can to get the best talent.

In answer to an earlier comment, working for the BBC is definitely a CV builder. You are also working for the public good, so we factor that in.

Q139 **Peter Grant:** Do other companies have to publish their remuneration in the same detail as you?

Tim Davie: No!

Q140 **Peter Grant:** What I am getting at is that obviously we want to know that you are comparing your staff costs with those of other people in the market. Are you able to do that from published information, or do you have to pay somebody to get anonymised information in order to do those comparisons?



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Tim Davie: Basically, there are companies that give you anonymised information on job families—that is how HR departments work. They will say, “If you take executive producers, what are the benchmark costs?”

In our world, as you have seen from the NAO, there are a couple of areas where it is bloomin’ difficult to do that. There are not many local radio stations and it is very difficult to get exact benchmarks, so sometimes we do not have the wide benchmarking that you would have if you were hiring an accountant. That is harder for us, but broadly speaking we can get the benchmarks.

Q141 **Peter Grant:** Is it an issue for you that people can work for the BBC and have their salary all over the front page of the newspapers, while they could do the same job for somebody else and their salary would be treated as confidential and would never have to be published?

Tim Davie: Remember that it is for high earners only, so we are talking about a small number of people. Is it an issue? Yes. We recognise that we are a public service entity and there is a tension with transparency, which we believe we are at the cutting edge of—some would want to push us further. My personal view is that it has had some impact on our ability to attract talent, but we have managed to hold on. I still think that working for the BBC stacks up, put it that way. We are not making an argument to go anywhere versus where we are today.

I say very openly that in Studios we have agreed not to disclose. I think that that is the right decision, because otherwise we would be pitching against companies at a highly competitive disadvantage. The competitive disadvantage is enormous if you have to reveal it all. You cannot have a commercial entity that is half commercial.

Q142 **Chair:** Therein lies one of the huge challenges that you face.

Can I go back to some of the figures that you were talking about with Mr Wild? When you spoke on the “Today” programme the day after the announcement in the House of the settlement, you talked about the savings target of £285 million, which you have mentioned again today.

You have obviously been thinking about this a lot. You say that no big changes are coming in the next year. Is the £285 million an annual figure, or is it over a period of years?

Tim Davie: It is leaking of more detail, but it is an annual figure. This is for the last year of the charter; I think we are at £4.2 billion in licence fee receipts based on CPI for four years, and we would need to be saving versus a pure CPI—based on latest estimates, the gap is £285 million. Cumulatively, you have a £1.4 billion challenge split across the years.

Q143 **Chair:** But obviously some of the savings will be recurring and some will be one-offs. Are you going to taper it at some point?

Tim Davie: Generally speaking, we are looking for recurring—you know, operating model savings, different changes.



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Leigh Tavazia: Just to provide clarification and be really clear, the £285 million by 2027-2028 is the income differential that we would have received on a licence fee income, assuming we would have received six years of CPI, versus the two-year flat and four-year. It is an income differential that changed that. We are always going to have savings ambitions, even if we had received a six-year CPI settlement.

Q144 **Chair:** That gives you your very clear savings target. I just wanted to go back to figure 5 and the issue around productivity, because you have talked the talk about increasing productivity, but it has gone down considerably according to that graph. You also talked about the modernising BBC News initiative, which would increase productivity. What ballpark are you aiming at in terms of productivity, given that it has gone in the wrong direction in the past few years?

Leigh Tavazia: As the NAO pointed out, it is becoming harder and harder for us to deliver productivity efficiencies. Where we were at 2.3%, we are now looking at 1.3% to 1.5%.

Q145 **Chair:** You said that earlier, but it is interesting, because things like automation of studios—which is listed here, and which we all know about; some of us have been in them—while that is not great for bringing in the talent in terms of the crew, the floor managers and the camera people, that is presumably increasing productivity.

Leigh Tavazia: Absolutely.

Q146 **Chair:** But there wasn't much done. There was the one basement one in Broadcasting House, which we now seem to go to all the time, and I know there are some in Salford, but it was not universal. There were an awful lot of studios with a lot of people in them, and that is great because they have got jobs and you are creating that talent, but that aside, that is more costly than having automated studios, is it not?

Leigh Tavazia: There is certainly an opportunity, and actually, that is also one of the learnings from covid: the uses of technology, and how we have been able to create more output remotely. Use of technology and learnings from covid will absolutely inform—

Q147 **Chair:** So do you have a ballpark of what you are aiming to achieve in future productivity savings?

Leigh Tavazia: It would be in that similar range, and I think what you can expect in any future programme of savings and reinvestment is similar categories to what we have done in the last savings and reform: those productivity efficiencies, how we are reinvesting and remixing our content to drive greater value for audiences, the commercial growth piece, and then—

Q148 **Chair:** Take the studios one for an example, because it is an easy one to understand for us simple, non-technical MPs. You go into a studio, and there is one automated camera; there is somebody controlling it; and there is you and the presenter, and there might be another guest, but we are minimal costs. Surely, that is a lot cheaper than having a huge setup



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with floor managers, three cameras, different angles, some of the technical backup, and maybe the wall with the big iPad thing on it. All of those things are great in lots of ways, but they do cost more money, so have you got a hard target to drive out the cost in those sorts of areas—I use that as one example—and drive in the efficiencies that you learned through covid?

Leigh Tavazia: It is certainly in the range of areas that we are looking at. As Tim has advised, making commitments to exactly where we are going to be making those savings today is something we were looking to announce by the end of the financial year.

Q149 **Chair:** You have given us some dates, Mr Davie. You are going to have this ongoing conversation with DCMS to come up with some of the detail, and you will come up with some plans by the end of the year. What are your top two or three things that you are going to do in the next three months to begin to deliver on savings?

Tim Davie: The first thing is that we need to see through all the projects we have got underway, by the way, and come back out of covid—like every organisation—and do that flawlessly, ensuring that we are delivering on our strategy as we have set it, because we have got a lot of work to do. Then, I think you are looking at two big units of work on which we are underway. One is the operating model and how we work, exactly to your point, really. To the earlier points, I have to say that we were delivering a two to three range in terms of efficiencies. One to two, if you go and talk to people in local radio—

Chair: Painful.

Tim Davie: We are pretty threadbare.

Chair: Yes, but we go around those studios.

Tim Davie: I know you do, and I have got the point about automation, but we have done a lot of that work. I was in one of the BBC studios—

Chair: Not necessarily. I mean, I can see that there might be a saving there; I can also see the disadvantages.

Tim Davie: A lot of that work has been done, so we are into some fairly difficult conversations about where we can go, and then the pressure of energy costs going up through the roof, etc, has put difficulties on our cost base. We are in the midst of our budget process for next year. As I say, we are in a reasonable place coming to next year in terms of our budget, but beyond that—sorry, there is locking next year's budget flawlessly, gripping it, and being clear about that. We are in a good position on that.

The second thing is the operating model in the longer term. To your point, what are the areas where we believe we can make—and I have got a world-class team now really working on this. What more could we get from the operating model? And responding to your challenge directly, we have 1.5% efficiencies in the model. Could we go further than that? That is a



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question for us, as is what we could do with our operating model, because if we can find any ways of preventing money from being taken off the screen or off our airways, we will do that.

The third is that we will, inevitably, get to: what is the offer of the BBC? That is not just about the saving. It is also: is that match fit? Are we making sure digital is perfectly served? If we haven't got iPlayer strong and technically supported—you asked me what the other big bit of work is. Finalising that plan over the next few months is the big bit of work.

So it is operating model and offer, and then we will have a six-year financial plan in place.

Q150 Chair: On the offer, you talk about a subscription news service. We all know there are very good subscription news services out there. *The New York Times* is a stand-out one. Of course, there is an interesting link with the BBC there—one of your predecessors. And there are others that are just not as good, by quite some distance. How are you going to make sure you are the go-to international subscription news service?

Tim Davie: As I said, we are evaluating it, by the way. That was not an announcement of a launch, just to be really clear. But we should be evaluating that and the premium news service—

Q151 Chair: That is partly what I am driving at. How are you going to do it? It is easy to say.

Tim Davie: It is easy to say, as with many things in our lives. The truth is we need world-class people. It is as simple as that. And we have hired—the one thing Studios has allowed us to do—we have got now brilliant people, working in New York, who have got real experience of D2C. You need a different model from a standard publishing model where you just spend—I can go into detail. We have detailed—

Q152 Chair: You are really at the drawing board stage on that, and you will only go ahead with it if it—

Tim Davie: I am not going to tell you what stage we are at, because we are developing things—

Q153 Chair: It is very much on your agenda.

Tim Davie: But it is on my agenda, and I take your point. The other thing is that digital businesses tend to be much more iterative than we are used to. You have got to learn as you go with these things and be fleet of foot, which, dare I say, for more traditional organisations—it can be a different cultural challenge for us. No, we are not underestimating, but we have got a good commercial arm. They know how to deliver business. They have just got to have the right talent.

Q154 Chair: You also talked in that interview on the *Today* programme about the impact of potentially having to cut channels and so on. Is that something that is on the cards?

Tim Davie: Everything is on the table—other clichés are available, Chair.



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Q155 **Chair:** As long as you don't cut the Black Country, Wales, Scotland or Sarah Olney's constituency. I think we got the message across!

Tim Davie: I noticed with a wry smile that this Committee was curating a rather long list—welcome to my life—of things that had barbed wire around them, but I understand.

Q156 **Chair:** I think what we have heard from you is that everything is on the table; you have a challenge ahead. You have given a good talk today, but what we will be doing now is holding you to account for those things, and of course we will be having you back. The budget process this year, from what you are saying, is not the biggest challenge; it is the going forward, and those investment plans in commercial, which are significant, in terms of protecting public service broadcasting, if they go well, but quite challenging if they don't.

Tim Davie: And flawless delivery of the projects. I would just wave the flag—

Q157 **Chair:** We would love it on this Committee if we ever had anyone give us a flawlessly delivered project, so we look forward to welcoming you back on that one!

Tim Davie: I say that—we have had a hard time. Actually, Cardiff, other things—delivery. I am pleased with the way we are building our capability to deliver those projects. I just add that, because it is an important thing that we are watching as a group.

Chair: We mentioned *EastEnders* earlier. We won't go over the old pain on that—

Tim Davie: No, that's a bit of pain.

Chair: And how long it took to choose the bricks.

Tim Davie: Indeed.

Chair: But we will want to follow this through, because it is obviously very significant, and the charter review and whatever might happen with the licence fee is a way off. In the meantime, you are facing stiff financial challenges, as everyone is, and as others have said, it is taxpayers' money coming through as licence fee, so we will be very keen to keep watching it. Thank you very much indeed for your time and for waiting while we voted, although I guess you had no option—that is democracy. The transcript of this session will be up, uncorrected, on the website in the next couple of days—with thanks to our good colleagues at *Hansard*—and we will be producing a report in due course.