

Digital, Culture, Media and Sport Committee

Oral evidence: BBC Annual Report 2018-19, TV Licences for over-75s and Reality TV, HC 2432

Wednesday 17 July 2019

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Members present: Damian Collins (Chair); Philip Davies; Clive Efford; Simon Hart; Julian Knight; Ian C. Lucas; Brendan O'Hara; Jo Stevens.

Lee Rowley, Public Accounts Committee, was in attendance.

Questions 1 - 218

Witnesses

I: Lord Tony Hall, Director General, BBC; Sir David Clementi, Chairman, BBC; Clare Sumner, Director, Policy, BBC; Glyn Isherwood, Chief Financial Officer, BBC.

II: Lord Tony Hall, Director General, BBC; David Jordan, Director, Editorial Policy and Standards, BBC; Patrick Holland, Controller of BBC Two, BBC.

Examination of witnesses

Lord Tony Hall, Director General, BBC; Sir David Clementi, Chairman, BBC; Clare Sumner, Director, Policy, BBC; Glyn Isherwood, Chief Financial Officer, BBC.

Q1 **Chair:** Good afternoon. I would like to call the Committee to order for this special session of the Digital, Culture, Media and Sport Select Committee to consider the BBC Annual Report.

The session this afternoon will be in two parts. The first panel will cover the annual report. Then we will have a second panel—which Lord Hall will also be on—where we will be asking some questions relating to the Committee's inquiry on reality television.



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For regular watchers of the Committee, we have two new faces around the table this afternoon. Lee Rowley is with us from the Public Accounts Committee, using the House's new guesting rules, which allow members of other Committees to guest at another Committee if it is doing similar relevant work. We are grateful to have Lee here.

Also, Philip Davies has been elected to the Committee in place of Rebecca Pow. Philip, I know you are no stranger to this Select Committee, but as you are now formally back on it, could I ask you to confirm any interests you have for the record?

Philip Davies: Yes. It is not particularly relevant for today's session, but I refer people to my entry in the Register of Members' Interests. There is nothing outside of that that is relevant.

Chair: Two members of the Committee are also in receipt of BBC pensions. Despite that, they still carry on working for a living, which is very good of them. Could I ask Julian Knight and Brendan O'Hara to confirm their interests for the record?

Brendan O'Hara: I am not in receipt of a pension but I will be, I hope, at some point.

Julian Knight: Yes, ditto. I am a BBC deferred pension holder.

Chair: Thank you. If we can start the questions this afternoon, we want to start—probably not surprisingly—by discussing the BBC's consultation on over-75s licence fees and the decision that the BBC has taken so far. I will start, for the benefit of the Committee, by going back to the agreement reached between the BBC and the Government in the first place in July 2015.

I see from the BBC's records that the BBC was briefed by the Department for Culture, Media and Sport on 29 June 2015 that the Government intended to ask the BBC to take on full responsibility for the over-75s licence fees. The agreement was announced on 6 July. I see that the BBC Trust Board met on five occasions, in a combination of meetings and conference calls during that period of time.

When did the BBC Executive Board meet during that period, Lord Hall?

Lord Hall: I cannot recall, but at the beginning of the week in question I had a call from the then Secretary of State, John Whittingdale, saying—and this was the first I knew about it—basically, "I lost the argument over the weekend and they are going to impose the over-75s concession on you". At that point, I said, "That is nuclear", and then laid out the consequences of that decision. Then I just remember a series of meetings—I cannot give you the details of them, but I am happy to supply that if that would be helpful.

It is really interesting that two days ago Ed Vaizey, who was there at the time and to whom we talked a lot, said very clearly in the Westminster



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Hall debate, "This policy was forced on the BBC, by the Government, by the Treasury. There was no negotiation—the BBC was going to take the free TV licence, whether it liked it or not, as far as the Treasury was concerned. The only room for negotiation was what the BBC might be able to claw back in order to mitigate the financial impact". If you remember, we clawed it back.

This is why I feel very strongly that this must not happen again. It happened in 2010 in exactly the same way over a period of a few days behind closed doors. Nobody knew anything about it. It was just a few people negotiating something as fundamental as this. It happened again in 2015.

That is why, when we come to 2021-22, the next time the licence fee is negotiated, that needs to be in plain sight with parliamentary involvement, with the licence fee payers involved and in a way that allows a proper debate about the BBC's funding to take place. It could not take place in this time.

Q2 Chair: As you know, the Committee agrees with you on that. I am interested to know what the debate was within the BBC at the time and how the decision was made to accept the Government's offer.

The trust board met either in person or by conference call on five occasions. There is no record that the executive board met at all. In the published list of minutes for the executive board, there was a meeting in early June and then there was a meeting on 7 July, the day after the decision had been taken. Interestingly, in the minutes of 7 July, it says that the executive board approved the minutes of a meeting that had taken place on 29 June, but there is no published record of that meeting.

Could the BBC check whether there was in fact an executive board meeting on that date?

Lord Hall: It was a small subcommittee of the executive board meeting with me, doing the negotiation. The final lap of the negotiation was done with the Chairman of the BBC Trust. In the end, any agreement had to be done by the BBC Trust, not by us. That happened, if I recall, on the Saturday evening of the week in question and then the announcement was made, again if I recall, on the Tuesday.

The key thing in this period was, as Ed Vaizey made very clear in his statement a couple of days ago—

Chair: We will come back to Ed Vaizey in a minute—

Lord Hall: No, it is important.

Chair: I am interested in what you think about this, not in what Ed Vaizey thinks, with great respect to my esteemed colleagues.

Lord Hall: I was going to say what we got back by concessions.



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Q3 **Chair:** We can do this through questions and answers. There was a crucial period. On 29 June the BBC was briefed and there was some concern that this could be introduced immediately and with no further concessions. The Government then made concessions, which were discussed at a conference call on Saturday, 4 July, where it was confirmed that the Government would allow the licence fee to go up in line with inflation. That was something the BBC had asked for—it would also end the top-slicing of the licence fee to fund broadband investment, and it would close what is called the “iPlayer loophole”.

Lord Hall: That is right.

Q4 **Chair:** Those issues were discussed in the conference call on 4 July. The minutes of that conference call say that the Director General agreed that he would recommend the deal to his executive board, but advised the Chancellor that the trust’s position was that it would not oppose the agreement but would not endorse the process. I do not see, though, you referring that back to the executive board for a decision before you agreed to it.

Lord Hall: We had a small team of the executive board that was negotiating with the Chancellor and keeping the trust informed of what was going on. The key decisionmakers in the end had to be the trust and they met on that Saturday. Indeed, the Chairman of the trust was with me when we went to see the Chancellor, again as I recall, on that Saturday morning.

Q5 **Chair:** But the official position of the trust was neutral. The minutes say quite clearly that the trust will not oppose it but neither will it endorse the decision.

Lord Hall: The trust did endorse the decision because, in the end, it was the body responsible for the entire BBC. Rona Fairhead was involved in that final meeting—or a meeting anyway—with the Chancellor and the trust, again as I recall, on the Saturday evening did endorse the settlement as it was put to them.

Q6 **Chair:** The trust minutes say that it would not oppose the agreement but would not endorse the process. That is the trust’s position. The trust has not endorsed it. The executive board has not endorsed it either, because it has not met. To me, it looks like the only two people who agreed with this were you and Rona Fairhead.

Lord Hall: Rona Fairhead was the Chair of the trust. It was perfectly proper for her to agree to it, but that is not my recollection of what happened. My recollection absolutely is me talking to Rona and Rona having a series of calls with the trust and the trust agreeing to it late on Saturday night.

Q7 **Chair:** Yes, but I am going off the published minutes that the BBC has published. This is a really big decision. It is discussed with the trust board but the trust board will not make a decision. It says it is neutral on it. The



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executive board is not called to meet. You may have had private meetings with the individuals on the board but you never sought the formal consent of your board before agreeing to it.

Lord Hall: Of course everybody agreed to it because that was then announced two days later by the Government.

I will make one other point to you—I am sorry to quote Ed Vaizey but he was there, as I was. This was a process that was going to happen anyway. The notion that somehow we had any possibility of not accepting the over-75s licence fee change is risible. They were coming at us with that. It was going to happen.

The key thing, which has been made clear by me and others who were involved in this, was how we could negotiate the best possible deal for the BBC, which is what we did. That was tough—it was really hard going and we negotiated things that we felt could counterbalance the over-75s.

Q8 **Chair:** Yes, but this was a fairly major decision for the BBC and there does not seem to be in the minutes either of the executive board or of the trust any indication of a formal agreement to it. The trust's position was neutral and the executive board did not meet. It does seem strange that the executive board met to discuss it the day after it had been agreed and published. All the minutes do is note the fact that the decision had been made.

Lord Hall: This is the trust's decision. The trust was set up to be the governing body of the BBC. I communicated directly with Rona Fairhead as Chair of the trust. I was reporting into her. I made it very clear to the Chancellor of the Exchequer. This was a trust decision. I had done my bit there with what I felt was the right thing to do. It was a trust decision in the end to say yay or nay.

Q9 **Chair:** But based on the minutes, the trust is acting on the fact that you are saying as Director General—this is a commercial decision that affects the BBC's budgets and spending in a significant way—that you agreed you would recommend the deal to the executive board. You are saying that, but the trust is never told that it has gone to the executive board. The executive board has agreed they can make this work and therefore are asking you to rubberstamp it. That was never part of this process.

Lord Hall: That is one of the reasons why this process must not happen in this way again. There is not enough time or proper thinking time to do these things properly. You have pointed that out very clearly.

But in the end the final decision had to be by the trust. I did not have the authority to take that on my own. It had to be by the trust and that is exactly what happened.

Q10 **Chair:** You complain, rightly, that this thing was done behind closed doors and without proper scrutiny and proper process. Indeed, one of the criticisms of the trust was that there is no opportunity to ask licence fee



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payers what they think about this decision. However, you did not even ask your own board.

Lord Hall: I was negotiating with key people on the board. We talked. But actually, the formality of this is with the trust. I do not see why that is so difficult to understand. The trust are the people in the end who have to say yay or nay, and they did.

Q11 **Chair:** You are complaining that it was done behind closed doors and yet even your own executive board was not fully consulted before the decision was made.

Lord Hall: Can I go back to the problem as opposed to looking at all sorts of minutes and that sort of stuff? Can I explain?

Q12 **Chair:** No, with respect, Lord Hall, this is important because you have started off criticising the process. We understand the Government's process and we have been critical of that as a Committee. We are trying to understand what the BBC's process was for agreeing what was a fairly important decision.

Lord Hall: The process was me negotiating with a small team of executives, then Rona Fairhead, as Chair of the trust, coming along to a meeting with the Chancellor of the Exchequer and one or two others, and then me saying to her as Chair of the trust, "This is what I am recommending. We have won these concessions. But you need to say it is okay or not".

Q13 **Chair:** In the final meeting of the trust on 6 July, the day the announcement was made, the minutes say, "The Director General and the executive would work to develop a strategic plan so the BBC was ready to live within the new financial parameters and deliver the further savings and changes to its services which will be required in the next charter period". That would suggest the BBC Trust had been reassured by you that you could make this work.

Lord Hall: We were absolutely clear with the upsides and the downsides of this. The upsides were inflation for the first time in a decade, getting rid of the broadband levy, plugging the iPlayer loophole, which the Government did not fully do, and keeping us in play for the charter negotiations, which we were in the middle of.

There is one bit of context I want you to understand and I am sure you do. This was a matter of weeks or a couple of months into a new majority Conservative Government at the height of austerity and we were making judgments about what seemed appropriate at the time at the height of that austerity. That is why we were able to say, "Yes, we recommend this". But the policy for the over-75s is coming to us. The Government have given us that. As John Whittingdale has made absolutely clear in his statements—he also was there at the time—they knew and we knew that that meant reform as long as we could consult and go through the proper processes.



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Q14 Chair: But if I was a member of the BBC Trust Board and had been in that meeting, I imagine I would have been reassured to know that you thought that with the concessions that had been negotiated with the Government, this plan would work. Indeed, whether the trust knew this—it had not even gone to the full executive board—I don't know, but certainly the impression in the meeting was that you thought you could make this work.

Then, indeed, that day you said in an interview—and this quote is from the BBC's online reports—about the deal, "Far from being a cut, the way this financial settlement is shaped gives us effectively flat licence fee income across the first five years of the next charter". Then, when you appeared in front of the Select Committee that autumn, you said that this was actually a better financial settlement than the licence fee settlement had been five years before.

Lord Hall: Yes, it was. Let me explain why. The 2010 settlement, which was done in exactly the same way—and in the wrong way but I will leave that aside—took 24% out of the BBC's budget. That 24% is what the BBC's budget would have been had it gone up in line with inflation. The budget at the end of that period was 24% less because we took on the cost of the World Service. We took on the cost of BBC monitoring. We took on a large proportion of the cost of S4C. We also took on the Government's then idea of regional television. All of that meant that rather than rising in line with inflation, the BBC's budget at the end of that period was 24% down. That was the stark reality of the 2010 settlement.

I will explain the things that we got wrong in that assessment, but we were saying that it would be a broad, flat cash settlement over the period to five years. We did not take into consideration—because life moves on—that it was CPI on a proportion of the BBC's budget, because of course it was not CPI on the whole budget and part of that is money coming from the Government to pay for the licence fee concession. Secondly, inflation—and this in some ways is a good thing but not for us—in the media has been much higher than CPI because of the tax credits, and Netflix and others coming to this country. That has led to our costs going up more than they should. The Government did not plug the iPlayer loophole in the way they said they would, which meant we got only half the money coming in.

It was always assumed we would look at the over-75s—John Whittingdale make that clear in what he has been saying—and we would look at that as well. We would take on the policy, really unwillingly, but it was coming and we could not do anything about it. We would then consult and decide what was best from the BBC's point of view for both licence fee payers who are over 75 and those below. That was the intention.

Q15 Chair: At the time, regardless of how the process was run—and we have been critical of that—it looks like there has been a negotiation between the BBC and you have won some concessions from the Government. The



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Government have got you to agree that to take on responsibility for the over-75s. You have broadly welcomed the settlement as a good settlement, better than the previous settlement, and you have briefed the BBC Trust Board that the executive is going to come up with a strategy to make this work. I do not see any indication here that this was not an obligation you were going to honour or intended to honour. It looks like you were quite satisfied with the obligations that the BBC has taken on. There is nothing in the minutes to say otherwise.

Lord Hall: That is absolutely not true. We were taking on the policy of the over-75s.

I want to be quite clear about this. At the time, I was clear with the then Chancellor. I remember exactly his words to me, which were, "You and I are going to have to go out there and socialise this policy because it is going to be very difficult for you". John Whittingdale has made it absolutely clear in what he said in the Commons. I made it very clear when I came before this Committee and mentioned it in the autumn of that year. John Nicolson said to me, "What sort of reforms will you be looking at?" I said, "I cannot say at the moment. We will have to work that out over the next few years". John Nicolson, late of this Committee, then said to me, "What about means testing?" I said, "I am not saying there could be. I am not saying there cannot be. That is what we have to work out". That is completely consistent with the reforms that we would need to make were we to live within the budget parameters.

The consultation could have gone another way and we could have ended up not being allowed to make those changes, but the policy came to us and we have carried that out to the letter. From the Digital Economy Act 2017 onwards, we have carried out the consultation thoroughly and we have come to a very difficult balanced discussion.

If you want to ask who should take on responsibility, from the beginning, it is the Government who were withdrawing the concession and we had no choice whatsoever other than to take that on. That is clear to me.

Q16 **Chair:** When you look at the minutes of the BBC meetings at this time, on the original proposal, the BBC is saying very much what it is saying now, which is, "If we take on the over-75s, there will be closures of services and there will be massive cuts".

Lord Hall: Yes, that is right.

Q17 **Chair:** Then you get the concessions that you asked for and the position then seems to be, "Okay, we will try to make this work. The concessions make a big difference", and you say that it ends up being a better financial settlement than before. There is nothing at the time to indicate that this is an impossible task you have taken on that you must inevitably withdraw from.

Lord Hall: I am sorry but I said at the time that we would have to reform the over-75s to make this work. The policy that we have gone



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through with the consultation might have stopped us doing that, but that was absolutely central to me saying to people, "This is a settlement that we can live with".

However, let me also be clear, I said then that taking the over-75s policy and dumping it on the BBC was not a way to run a railroad.

Q18 Chair: That is not reflected in the minutes of the meetings you attended at the time. If you felt that strongly about it, it is odd that you accepted this without even consulting formally the BBC Executive Board.

Lord Hall: I was consulting all the time with the BBC Executive Board. That week is seared in my mind. I remember constantly talking with the executive board. But formally, it was the BBC Trust that had to say yes or no.

Q19 Chair: I want to come on to the value of the concessions. These have been tossed away as being insignificant and, in many ways, the language the BBC uses in the consultation documents published in June goes back to the way the BBC talked about this before the concessions were made, as if this is a flat £700 million and we are going to have to massively cut services. You may have more up-to-date figures, but around the time the iPlayer loophole was closed it was believed that it would be worth around £150 million a year. It was believed that the cost of the top-slicing to pay for broadband was about £130 million a year. If you look at the value of the increases in licence fees that would come, it would be about £200 million a year, and you would be better off by the time the over-75s came in. Then, when you add to that the factors you have in your own annual reports—in the last year you have made £153 million worth of efficiencies and your direct revenue dividend from BBC Studios increased by £59 million—you may query those numbers but that ends up being about £700 million that has been found. The value that you got back from closing the iPlayer loophole, from ending top-slicing and from the increase in the licence fee would seem to be greater than the £250 million obligation you are prepared to take on for the over-75s. If anything, it would seem that you are net gainers from this process, given your current policy of not honouring the original agreement but means testing the over-75s.

Lord Hall: The idea that we are not honouring the original agreement is wrong and I really refute that and I resent it. We are absolutely honouring the agreement we came to with George Osborne and John Whittingdale to the T. Honestly, if you want to come out and say things like, "You are not honouring the agreement", you are wrong. It is absolutely crucial that I establish this because we are carrying out what the Government said we should do to the T.

To answer your point about the concessions back, given the amount of inflation in media is higher than CPI and given that it was not carried out over the entirety of our budget is an issue—



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Q20 **Chair:** In cash terms, what has that meant?

Lord Hall: There is an issue, which is that it is not keeping up with our costs.

The iPlayer loophole, which was estimated at somewhere around £140 million to £150 million, the Government did not close quite as we wanted. They did it only from the point of view of the BBC usage of the iPlayer. This meant that it was short to the tune of £45 million, not £140 million or £150 million that you were estimating it to be.

In all sorts of ways, we have brought in less from these reforms than we thought. That is life. At the time, it looked like we would do fine out of it but it has not turned out that way.

Q21 **Chair:** Perhaps you would get back to the Committee with a figure for what in actual terms you think the benefit of those concessions that you won were.

Lord Hall: We put a figure of £250 million on what we think we should be doing to support the over-75s concession in the way we have interpreted it as a board.

Q22 **Chair:** There were three concessions that were won by the BBC in the negotiation that we have just discussed: the iPlayer loophole, the ending of top-slicing and the increasing by inflation consumer prices the licence fee. What in reality has that been worth to the BBC or will it be worth by the time we get to 2020.

Lord Hall: We can happily come back with those figures.

Q23 **Chair:** I am working off the figures that had been quoted at the time but these were at the time the decisions were being made.

Lord Hall: Yes. There were assumptions at the time but those assumptions have not worked out as we thought, which is an inevitability.

Q24 **Chair:** That is a perfectly reasonable position and it reflects that at the time in 2015 you might have been slightly more bullish about the ability to get this through without having to go through very significant means testing—you were looking to get rid of two thirds of the obligation—because these figures may have presented themselves in a more favourable light. In that case, the money would have been there to offset the obligations you would have taken on, certainly to within a reasonable level.

But it has not worked out that way. While it is understandable that you are critical of the Government for putting you in a position where you felt you had no choice, you also entered into it thinking that you could deliver it. That has turned out not to be the case.

Lord Hall: We entered into it thinking that, if we could reform—and that was a big question because we had to go through a consultation and it might have gone the other way—and if other things to do with CPI or



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with inflation in the media industry and other things worked out okay, we could probably get through. That is what we thought. But, as you have been suggesting, life does not work out like that.

- Q25 **Chair:** It would be interesting to know the background of this very significant decision that has been taken. You are right to say that it was always the case that there would be an agreement that the BBC would be free to consult and change the over-75s policy. The agreement runs to 2020 and after. You have freedom to act.

My contention is that at the moment the decision was made and in your immediate pronouncements on it, it was not clear that such a significant change would be made. There was nothing to suggest that you would need to find two thirds of that cost elsewhere and that you would fund only about £250 million of it. It is important to understand, against the £250 million you are asking pensioners to pay for the licence fee, how much was the value you got from the extra concessions that you had.

Lord Hall: Yes, I get that. My retort to you is that at the time we thought we would not need as much as we do now—which is what you are saying—because a number of things have gone against us.

- Q26 **Julian Knight:** I have just been struck by the use of the words such as “going nuclear”. You started tapping the table when you came in. You are obviously very emotional and very angry, almost pent up with rage about this deal. But then the words at the time spoken by you were that it was “the right deal ... in difficult economic circumstances. Far from being a cut, the way this financial settlement is shaped gives us, effectively, flat licence fee income across the first five years of the next charter”.

What is it? Did you misunderstand the implications of what you were agreeing to or did you mislead in that statement? Which is the case?

Lord Hall: No. I did not misunderstand and I certainly did not mislead, Mr Knight. The Chair has been probing in exactly the same direction as I will answer you now. At the time, if you go back to what it was like in 2015, people were getting flat-cash-minus settlements. At the time, having a cash-flat settlement felt like a proper settlement for the BBC, no matter the fact that it should not have been done that way.

Since then, some things have not turned out as we expected and I suppose that is life, isn't it?

- Q27 **Julian Knight:** You got your numbers wrong, basically?

Lord Hall: No, we did not get our numbers wrong. We could not have understood that the Government would not do the proper deal they should have done over the iPlayer loophole. We did underrate the amount of inflation that was going to come into the media sector. We did not reckon at that time with quite the inflation that would come from Netflix and others.



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Q28 **Julian Knight:** Businesses across the country deal with inflation all the time. Effectively, what you are is—

Lord Hall: No, this inflation in our costs, which was much more than CPI—

Q29 **Julian Knight:** A wholesaler has to deal with above-CPI inflation costs. A lot of businesses, public sector and private sector, have to deal with this. This is not just new, so to speak. The reality is that you were presented with a deal at that particular time. You chose to accept that deal and then you said in public that you agreed that it was okay. That is what you said in public. Here you are a couple of years later and you are now saying, “No, I am sorry, but this is not something we can live with at all”.

Lord Hall: No, you are wrong. It is four and a half years on. Also, since then we have done the reforms that we said were on the table for the over-75s concessions. We made it clear and we made clear the financial parameters for that.

The other important thing at the time was that we also needed to keep in play the negotiations going on about the charter—we went straight from that into a very heated debate, which I am sure you will recall, about the scope and scale of the BBC. We were under huge pressure to have a charter that would last three or four years and where the licence fee would not be guaranteed for that amount of time, so we were in constant dialogue here. By the end of that summer or slightly later, we had a charter for 11 years—everyone was saying it would be three or four years—and we had the licence fee at the centre of the way the BBC would be funded for all that time. Those were also considerable wins in this period of our negotiations.

Q30 **Julian Knight:** Effectively, it was a negotiation. There was a quid pro quo. This is how it seemed to work at the time. The Treasury got its pound of flesh by putting this on to you in terms of the over-75s licence fee. But you got, against quite strong opposition within certain parts of Parliament, a very long charter agreement and a very good deal on that side of things. You got a good deal there and yet here you are now, as you say, a time afterwards, turning around and saying, “I am sorry but there was part of the negotiation that we were not happy about. They held our feet to the fire”. They could just say, “Tough”, frankly. They could say, “If that is the case, you lost out in that negotiation in terms of the money”, and you are no different now than a chief executive who has their numbers wrong and is now issuing a profit warning.

Lord Hall: Thank you for saying that we seemed to get a lot back from the negotiation. I agree, Mr Knight, on that.

I am just trying to establish that, as part of that settlement in 2015 with the then Chancellor of the Exchequer and agreed with the trust, it was absolutely clear that reform of the over-75s, provided we could go through the proper consultation and provided the consultation backed us



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up, was on the table. Everybody knew that reform was likely, not inevitable but likely.

- Q31 **Julian Knight:** Why are you saying now that this was a terrible deal? You are effectively whinging and trying to say that this was absolutely appalling and awful and that the Government had managed to force you into this position. You got a really good thing back as well. You got the extended charter.

Lord Hall: We got the extended charter, which for the BBC's future and independence was almost the most important thing. I am not a whinger and I promise you I am not whinging, I am trying to point out the facts. The facts were that the Government withdrew the funding we were getting for that concession. The Government at that time knew that reform was in the air and quite likely. It might not have happened because the consultation might have gone the other way, but they knew it was there.

- Q32 **Julian Knight:** Why should any Government in future trust anything the BBC says when it shakes hands on a deal and four years later says, "You have forced us through your negotiations and have put us into a position that is untenable". It gets BBC reporters or presenters and outside organisations to lobby, and then brings huge pressure to bear on the Government of the day when it struck a deal with the Government and should hold itself to that deal.

Lord Hall: I repeat what is the truth. You can trust the BBC. We entered into a deal, I agree, unwillingly. I would rather we did not have the over-75s but, nonetheless, we took it because we knew that was coming. Others who were involved have said that we could not have stopped it and it was going to happen. But we took it knowing that reform was on the table. That was absolutely clear from the Chancellor and from the then Secretary of State. The Secretary of State has made that clear in what he has said.

We have done nothing other than abide by what the Government then did. The Government brought in the Digital Economy Act which said, "From June of next year, you take over the policy, but you must have a full consultation process before then". We have carried that out and we have come to a hard but nonetheless difficult decision.

I can see nothing in that which is not utterly trustworthy and utterly what we were committed to and said the Government were committed to way back in 2015.

- Q33 **Julian Knight:** The issue is that you made those statements when the deal was done that this was a good thing and so on, and now a few years later you are saying, "Actually, it was not a good deal. Poor us. Our feet were held to the fire like you wouldn't believe. This is an appalling thing", and yet you shook hands on that deal.

Is this what happens next time around if we do have another charter



renegotiation?

Lord Hall: Mr Knight, this is presumptuous of me to say so, but you as a Committee and I are agreeing on one thing, which is that this is not a way to conduct a negotiation—that is what I feel strongly about—if these negotiations are done at such speed, behind closed doors, without any scrutiny at all from Parliament or debate in Parliament or debate among licence fee payers.

I look at the consultation we have just done. It has been thorough. It has involved 190,000 people. It has involved lots of other people. My hope is that together we can find a way when it comes to 2021-22 to do this in public and to have an argument about the scope and the scale of the BBC. I believe that this country needs the BBC more now than it has ever done in the past given fake news globally, and soft power in terms of new talent in this country and of regions talking to themselves. The need is there. That should be a proper debate about the quantum to fund that, which did not happen in 2010 and had not happened in 2015.

Q34 **Ian C. Lucas:** In the general election of 2017, there was a Conservative Party election manifesto commitment to maintain benefits for pensioners. Did you consider reopening this issue after a Conservative Government were re-elected?

Lord Hall: We asked the Government why the manifesto did not reflect the powers they had given to us. I do not have a satisfactory answer. They knew and we knew that as of June of next year the powers came to us. Nothing from the Government said that is not the case.

Q35 **Ian C. Lucas:** After the general election, you contacted the Government to clarify the position?

Lord Hall: Yes.

Q36 **Ian C. Lucas:** In writing?

Lord Hall: Yes, we wrote to them and we wrote to them at the time to say, "What does this mean?"

Q37 **Ian C. Lucas:** That was because of the manifesto commitment?

Lord Hall: Yes, and because it seemed at best odd to us that they would have a manifesto commitment that was completely at odds with what the law had just determined was the case and what Parliament had decided, namely that the concession would come to us from June of next year and we would consult and so on.

Q38 **Ian C. Lucas:** Could we have that correspondence, please?

Lord Hall: I am sure whatever correspondence we have we can give to you.

Q39 **Ian C. Lucas:** I think it is odd, too. Manifesto commitments should be respected.



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I have a constituent, Ted Edwards, who is 93 years of age and is a Normandy veteran. He has spoken to me about this issue of veterans, Normandy veterans in particular, having a benefit removed. Ted is a wonderful community activist. He contributes hugely to his community. My father was also a Normandy veteran who landed on Gold Beach. I have come to know you, Lord Hall. It does not sit right with me that we are withdrawing benefits from such people. Will you reconsider the position?

Lord Hall: The board has taken a position. First, I understand the position that Mr Edwards finds himself in. I respect completely what he has done with his life. He has been through things that I hope I never have to go through. I have the deepest respect for that.

But the board—and the Chairman may want to say something about this—including me, by the way, has come to a decision to balance two things: the fairness to people over 75 like Mr Edwards and how we hold a concession that is fair to them, and also the fairness to the majority of licence fee payers who do not want and would have to fund the £750 million if the concession was to carry on. Those have been the two things we are trying to balance.

It seemed to the board—but the Chairman will want to say more about that—that the right way forward was to attach, therefore, the concession to the Pension Credit, not our determination of poverty among pensioners. It is not for us to determine what the poverty level is but for the Government.

- Q40 **Ian C. Lucas:** This is your decision. It has become your decision. We agree that that should not be the case but it is a fact. I would plead with the board of the BBC Trust to look again at the position as far as veterans are concerned. We have chosen a means-tested approach. We have all seen the context of the commemorations we have been experiencing, which are a big part of you helping to sustain our national identity. It seems completely wrong to be taking away something that is hugely important to that generation in the way that you are.

Lord Hall: I understand.

- Q41 **Ian C. Lucas:** Can you please reconsider that? I will ask the Chairman.

Sir David Clementi: Let me comment on this because I also have great sympathy with your constituent. We know the importance that the BBC plays as a companion for those who are socially isolated and so on. That has weighed with us very heavily. As Lord Hall said, we sought to reach a decision that was fair to those over 75, who are the most financially disadvantaged, and fair to all our audiences. There would be a price to be paid if we were to extend it to everybody.

To your constituent, I would say a number of things. First of all, if he is financially disadvantaged, he needs to look carefully at his position. One of the reasons AgeUK was concerned about means testing through the



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Pension Credit is that the level of Pension Credit take-up is well below those eligible. About 60% of those eligible take it up. We have undertaken with AgeUK, Independent Age and a number of similar groups—probably some of the veterans groups—to help them understand how the Pension Credit system works. If they are below that level, they will get a free television licence.

The second point to say is that a number of people say to me, “The Pension Credit is not sufficient”. Everybody recognises that the issue about the level at which pension poverty, which is still an issue, should be alleviated is finally a matter for the Government. Their chosen instrument is Pension Credit and, therefore, the level of Pension Credit is a matter—correctly—for the Government and not for us.

You asked whether the BBC is going to think again. We have been through the most massive consultation, almost without precedent, setting out the precise criteria by which we would reach a decision and setting out what the options are. We have had 180,000 responses. That is the quantitative part. We have also had a mass, which we have shared with you, of qualitative responses.

Among the qualitative responses are those who think the concession should remain and those who think there is a problem. Those who represent the creative industries and those involved in employment—the TUC, the CBI, our own union, the NUJ—have expressed considerable concern about extending the concession to all parties over 75. On the other side, those who thought the concession should continue, particularly AgeUK, who were concerned about it, are very clear that the body that should reconsider is the Government. You referred to the manifesto commitment, that is a matter for you and a matter for the Government. Nevertheless, if you look at the AgeUK petition, which has now been signed by 600,000 people, which may include your constituent, their questions are addressed not to us but to the Government.

Q42 Ian C. Lucas: But this is now your decision. This is the decision of the trust board and you have made it.

Sir David Clementi: It is not the trust board, as you have pointed out. It is not, as we all know, a perfect Government structure—I recommended it should be got rid of, and we have provided further evidence in connection with that.

We have followed the Digital Economy Act, passed by this Parliament, to the letter. The suggestion from Mr Knight that we are not good for our word is very unfair. We have followed the Digital Economy Act, agreed by this Parliament, agreed in the 2015 settlement. We have followed it to the letter.

Q43 Ian C. Lucas: Okay, but this package that you are now presenting is the BBC’s package and you have the power to change it. There are two Normandy veterans in Wrexham and they will not be eligible to retain a



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TV licence.

Sir David Clementi: Because they are above Pension Credit level.

Q44 **Ian C. Lucas:** Yes. You should give a concession to Normandy veterans at least. We are talking about a small amount of money. There would not be anyone who speaks out against that. I would ask you today—

Sir David Clementi: There are a vast number of people who want us to consider, but the issue rests now with the Government and whether they want to meet what they determine—

Q45 **Ian C. Lucas:** No, it does not. It rests with you.

Clare Sumner: Sorry, just to follow up on an important point here, there will be some people who will qualify for Pension Credit. Some people will be claiming already, but part of the greatest problem with Pension Credit take-up, as AgeUK and others have said, is around the visibility of Pension Credit. Over the last few weeks, I would suggest, the visibility of Pension Credit has definitely gone up. We have been working with others, for example, Independent Age, who are running their own campaign about Pension Credit take-up. That could potentially affect over 600,000 people, who could then potentially get £2,500 each, which is a significant amount of money, plus the top-up benefits they would then get.

The other thing that perhaps may assist your constituents, although I recognise not entirely and I also would pay tribute to their service, is that we asked ourselves whether it was reasonable to ask this group of people to pay a full TV licence in one go. Therefore, we have introduced a small instalment scheme of around £3 a week for all the television that we know is so valuable to them. This is a group that consumes over 30 hours of BBC TV or radio content.

It does not fully address your question, but the issue is that in terms of all the options we consulted on and all the variants we looked at, in the end, the Pension Credit was the fairest. AgeUK said in January, "Pension Credit is the single most important poverty alleviation mechanism for older people that we have in this country". We have to recognise that. That includes for veterans. Of course, if the Government want to do more for veterans as well, they could of course do so.

Q46 **Ian C. Lucas:** Yes. There are a lot of pensioners who have applied for Pension Credit but do not qualify and who do not consider themselves at all well off. There are a lot of people who are concerned about this proposal. The reason why the Government passed it to you, bluntly, is because it is a hand grenade politically and you have been given it.

I am appealing to you again in this particular case. It is not about one person, it is about a group of people. Particularly in view of your public service role, which I respect, please think again and reflect following today. I am not going to put you on the spot again. I understand the position concerning the Pension Credit. We should be using this as a way



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of extending take-up of the Pension Credit. That is not your responsibility. One of the problems with this policy is that it is mixing the Government and the BBC in a way that is not appropriate. But on this particular specific point, I would be grateful if you would think again.

Sir David Clementi: I will take it away. I would like to make a point. There are a number of groups—and you have mentioned one that we all recognise and indeed the BBC was there to recognise that day in the south—for whom this is quite a difficult issue. But I am concerned about the BBC being drawn too much into social policy and this is, rightly, a matter for the Government. The question of the level of the Pension Credit—and you have told me your constituent is above that level but nevertheless does not think he is well off—is a matter for the Government and not for us. We will take it away but I can give no certainty as to what my board will think.

Ian C. Lucas: You can also speak to the Government about that. I heard the Secretary of State speaking on this issue last Thursday at questions. There may be an opening if we work together on the Government.

Q47 **Philip Davies:** Quickly, as the new boy, I am getting my head around the figures. I was reading the BBC News website—so I am sure it must be true—which said that the new scheme you are proposing on the Pension Credit will cost the BBC about £250 million a year by 2021-22. Is that right?

Sir David Clementi: Yes.

Q48 **Philip Davies:** Presumably it is less than that to start with but it will be up to that figure by then?

Sir David Clementi: Yes, but in the first year there are some very considerable administrative costs we are looking at.

Q49 **Philip Davies:** But what it said on the BBC website is right?

Clare Sumner: It depends on the take-up of the Pension Credit.

Sir David Clementi: Yes, that is right. That is what we said.

Q50 **Philip Davies:** The Secretary of State said in DCMS questions last week—and perhaps you would confirm whether this is right—that in this financial year of giving the free TV licences to over-75s, the cost to the BBC has been £453 million. Is that right?

Glyn Isherwood: No. The DWP has been stepping down the amount that it has given us in regard to over-75 licences. That started in 2018-19 and it continues into 2019-20 and then drops down completely. From a £650 million starting point, it reduced to £450 million last year and reduces again this year. We are working through and managing some of that shortfall. This year we have had to deliver savings to deliver on that. We have also had a year of deficits. We have spent ahead of the income we



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have coming in because of the £180 million shortfall in income we have had from the DWP this year.

- Q51 **Philip Davies:** If we can stick to the questions, it would be helpful. The Secretary of State said last week in the Chamber—and I would be astonished if he was misleading the House—that this financial year the cost to the BBC of this policy for free TV licences to over-75s is £453 million. It is a simple question. Is that right? We do not need any waffle around it. Is that right or is that wrong?

Glyn Isherwood: That is not a number that I recognise as the cost of the licence policy.

- Q52 **Philip Davies:** What is the cost going to be for the BBC this financial year?

Glyn Isherwood: In 2018-19, we had a reduction of £180 million.

- Q53 **Philip Davies:** No. What is the cost? It is a simple question. I want just a simple answer. What is the cost to the BBC in this financial year of free TV licences for over-75s? It cannot be a difficult question to answer.

Glyn Isherwood: We have had a reduction in what was funded by the DWP—

Philip Davies: Yes, we know all that. What is the cost?

Glyn Isherwood: The DWP funded the free TV licence fees. That income was £650 million. We had a reduction in 2018-19 of £180 million, so I guess your equivalent cost is £180 million.

- Q54 **Philip Davies:** You are saying that the cost to the BBC this year of this policy is £180 million?

Glyn Isherwood: That is the reduction in income that we have had from the DWP, yes.

- Q55 **Philip Davies:** No, I am not asking what the reduction is this year. I am asking for the total cost. It is not a difficult question. What is the total? Let me try to help you out. I find it extraordinary. I suspect that either you do not know the answer or you do not want to tell me the answer. I thought this was going to be a simple question, Chair. I do apologise.

The Secretary of State said that last year the BBC paid £209 million towards this cost and in this financial year the BBC will pay £453 million. I have the *Hansard*, this is what the Secretary of State said in DCMS questions last week.

Are you saying that the Secretary of State was misleading the House when he said that?

Glyn Isherwood: I am explaining to you what is happening in terms of the cost. The DWP provides the cost of licence fees at the moment for over-75s. That steps down over a period. The BBC inherits that policy



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from 2020 but there is a stepdown. There is a reduction in income over time.

Q56 **Philip Davies:** I accept that there is a stepdown and he is saying that this year the total cost to the BBC is £453 million—

Sir David Clementi: There is a very complicated transitional arrangement over a number of years that was baked into the original deal. We should write to you to set out the transitional arrangement.

But the issue for the board is not actually on that. The issue for the board is moving forward. From 2020 we take on—

Q57 **Chair:** Sorry. Philip is perfectly within his rights to try to get clarity on the figures. If I may, the issue here might be that, Mr Isherwood, you were referring to the figure in the accounts, which is £180 million. The Secretary of State was referring to probably the 2019-20 figure rather than the 2018-19 figure.

Sir David Clementi: Yes, that is a rundown figure, which is where we are—

Q58 **Philip Davies:** Yes, the cost in total this financial year. The clue was in the question.

It is all right for you, Sir David, saying what the issue is. We will decide what the issues are for you to answer. You can decide what the issues are for the BBC.

Sir David Clementi: I have to worry a lot about the transitional period.

Q59 **Philip Davies:** The issue is that this year you are paying £453 million for this—and presumably you believe that the BBC's output is wonderful, as you usually do—but next year and in future years you are saying that you can afford to pay only £250 million. Basically, you are using this policy to transfer the blame to the Government because it is going from costing you £453 million this year to costing you £250 million a year in future years. You are pocketing £200 million and hoping that over-75 pensioners will not notice and blaming the Government for it. That is the basic fact of the matter, isn't it?

Sir David Clementi: We are not pocketing any money. The amount of money that the Government are giving us is scaling down from whatever it was down to zero. It is a complicated transitional arrangement.

Lord Hall: Yes. We are running at a deficit. We have saved money early on to pay for a deficit as it comes down to zero later on. That is the issue that we are doing. It is a balance.

Glyn Isherwood: We have drawn down our cash reserves to fund that.

Q60 **Philip Davies:** You are going to be £200 million a year better off from this concession next year than this year?



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Glyn Isherwood: We are currently using some of the cash reserves built up at the start of the charter period. We are drawing down those. In each year, we are running at a deficit. We did that in 2018-19. We will do that in 2019-20. We need to reverse that and get income to sustain our services and build up our cash reserves.

Q61 **Philip Davies:** Would you accept that the cost for you, the BBC, in future years for this policy will be £200 million lower than in this financial year?

Lord Hall: No, the cost to us at the end of the five-year period is £750 million. What we have been doing is very straightforward. Money that has come from the Government is being withdrawn. We have put in cash we have saved upfront from the beginning of the period. We are now running that down. Maybe that is where the confusion lies. We are running ahead of our means because we have saved for the moment when we knew that cash would be coming out from the Government's point of view. It is quite a simple equation.

Chair: Perhaps we could take up the Chairman's offer and the BBC could write to us and confirm what the transitional payments are, maybe in this same letter as well. The figure of £750 million is quoted but, to be fair, from that £750 million should be deducted the value of the benefits that were accrued in the negotiation on the consumer price index inflationary increase in the licence fee, the iPlayer loophole and the top-slicing. They were part of the agreement. It would be fair to consider that the net figure, which is the value of that removed from the £750 million.

Q62 **Simon Hart:** By way of a short pause, can we go back to the consultation outcomes? I was interested to hear Ian Lucas's comments about his constituent, but it struck me that there must be groups of very deserving people who have provided long and often risky service to the country for many years, all of whom might be able to make a similarly compelling case about their own circumstances.

I was wondering what the consultation findings revealed in that respect. If they are published somewhere and I have not read them, I apologise, but it may be useful for this particular hearing to know what they say and what proportion of the respondents took a particular view. Perhaps you could touch on whether veterans charities made some submissions, and whether MPs made submissions on behalf of their constituents. If so, can they be summarised without compromising any anonymity elements? How did that come across and how did it influence your decision-making?

Clare Sumner: We ran a very large consultation, which involved four components. All the reports have been published at the same time as our decision. Specifically, we had a very large public consultation with over 85,000 people. We had a BBC stakeholder consultation and contacted over 1,000 organisations and every Member of this House to participate. We have published the list and have included their responses to it.

Q63 **Simon Hart:** Did that include veterans charities, out of interest?



Clare Sumner: In terms of the overall responses, very few people mentioned veterans and I am not sure that any veterans charities did respond to us directly. However, I have written to a number of organisations about how to work together to do two things. One is best practice to support this group of elderly people, and the other is to raise the visibility of the Pension Credit. I am going to reach out to appropriate veterans organisations to discuss some of these issues further with them.

We published at the time of the consultation last November and also with our decision an equality impact assessment. A number of people commented on that, which leads you to look at, for example, issues of gender. For example, there are more women over 75 than men because of life expectancy. There are more disabled people in this group and people with long-term illnesses and also potentially those who are on the poverty line and could be most affected.

Having looked at all that, and at the way the Pension Credit and disability benefits work, and in effect at the fairest decision to take, we took all of that into account before the board made its final decision. As the Chair was referring to earlier, particularly in the stakeholder responses, there was a lot of concern to ensure the fairest thing was done for this group of people. Many older groups felt that it was going to be fairest to continue the concession, but many raised the fact that they thought the Government should pay for it. Others from the media and creative industries felt very strongly that they had a concern about the potential investment cut in the creative economy and creative sector, which I know this Committee has looked at before and how PSBs support the whole industry.

We also saw people from Dementia UK, and I spoke to them about how we can make sure that as we implement this policy and make it as accessible and appropriate as possible. With this cohort—it is not necessarily just this cohort—we have to make sure that carers and family representatives are aware of these policies and how they are changing so that they can be supportive.

We have also written to over 4 million households that will be affected by this change to explain that there is nothing anybody needs to do now, but that we will be reaching out to them to explain what we are doing, including outreach events. We must also make sure that we are linked in to all of the relevant organisations, which—coming back to the top of your question—would include veterans organisations.

Q64 **Simon Hart:** From public reaction—and it is a crude measurement, I know—were you able to detect the very simple distinction between support for and opposition to this proposal?

Clare Sumner: Yes, absolutely. In our main public consultation of about 85,000 people, it was, as this debate has shown, finely balanced. But 48% ended up saying that their preferred option was to copy the concession—



Q65 **Simon Hart:** Not another 48:52 split—

Clare Sumner: And 52%, I am sorry to say, supported some form of change. The least support across all of the age groups was for abolishing the concession. We thought that it was right not to abolish the concession because it would not have been the fairest thing to do.

The other two key things that came out time and again from this consultation was the importance of pensioner poverty and making sure that in its decision the BBC should address that. I think Mr Lucas referred to the importance of companionship that this group gets from the BBC and television in general. We respected both of those things and that is what led us to do a very targeted approach with the financial impact on the BBC of saying that we should help the poorest older pensioners. The best way to do that is through the Pension Credit, although, as we have discussed, there needs to be some improvement there.

Q66 **Simon Hart:** I know that the figure of 75 years of age has been imposed on you as opposed to a conclusion that you have reached yourselves. On the basis that pension income is a fixed-income model, what discussion did you have on the arbitrary nature, if you could describe it like that, of 75? Why not 77 or 73?

Clare Sumner: As you all know, under the Digital Economy Act, the BBC was given the power to look at age-related concessions from 65 and above. Part of our discussion and consultation, very openly, was about the right age threshold. That could have ranged from 65 upwards.

We did consult on a specific age issue, which was whether we should raise the age threshold to 80, but much of the feedback was that, for 75 year-olds, it is at that point potentially very hard to change their financial circumstances. The work that Frontier Economics and various organisations have done showed that in terms of wealth, the 65 to 74 year-olds are in some ways better off than the 75 cohort.

Again, it was a difficult decision, but we thought that the boundary was probably in the right place. As you know, once you become 80, you can qualify for additional benefits such as a state pension and more winter fuel discount. In the end, we felt the fairest decision was to help those who were the poorest at 75.

Q67 **Chair:** Glyn Isherwood, you said earlier that the cost last financial year to the BBC of the over-75s licence fee was £180 million. You also said that the BBC had to borrow money because of those additional costs. From other figures in the report, the report says that the BBC made £153 million in efficiency savings last year and that the cash revenue increase—not the total but the increase—in the year from BBC Studios was £59 million. Taking those two components together gives £212 million, it is possible, if the resources had been allocated differently, that £180 million could have been met from increased commercial revenue and efficiency savings rather than borrowing.



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Glyn Isherwood: In 2018-19, we had a step down in the income, which I have already explained. We had an efficiency programme, as you highlight. We are in the second tier of that programme now. We are at £153 million out of an £800 million target, which is cumulatively £397 million to date. So we are making progress on that, but it gets harder as we carry on. Most operations—

Q68 **Chair:** I understand that but that was not the question I asked. It might be very simple. I am not an accountant. The impression you gave us was that the BBC had no option but to borrow more and go into deficit this year because of this £180 million it has taken on. However, if resources had been allocated differently that £180 million could have been found in the savings and the increase and the growth in commercial revenue.

Glyn Isherwood: Given that we delivered £153 million in savings, which we have put towards that concession already in year, finding savings over and above that would have been very difficult. A commercial performance over and above that which was delivered would also have been incredible. We have had a very good performance in the year, but in that year it is not sustainable because we have had to draw down on some of our cash reserves—we are not going to borrow and we have not borrowed yet—to fund our operations, even with £153 million of savings in the year and even with a very strong commercial performance. The position is not sustainable because we are carrying the cost of transition in the over-75s. That deficit gets bigger in 2019-20 and by 2020-21 it will stabilise because we will have income from collecting money from the over-75s.

Q69 **Chair:** The point I was trying to make was that the cash drawdown in the accounts for this year cannot be about just the £180 million, because there would appear to be enough additional revenue and efficiency built in already. You may be drawing down cash for other reasons and you might like the £180 million to spend on other things—I appreciate that—but the books would suggest that there was enough cash in the system just to meet that obligation on its own if that was the only extra outlay you had to think about.

Glyn Isherwood: There are many factors that impact on our income and costs in year. In year we would have had other revenue coming in from the commercial operations. We had income that comes in from licence fees and that can depend on household growth and TV penetration. At the same time we have varying rights of content costs. Last year we had the Commonwealth Games, which needed funding and needed delivering to audience expectations. We did a good job all around that.

Q70 **Brendan O'Hara:** How much would it cost to set up a new system to collect the licence fee from those over-75s?

Clare Sumner: In our decision document we set out two forms of cost. The first transition year will cost around £38 million.

Q71 **Brendan O'Hara:** Is that to set up the systems?



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Clare Sumner: That is to set up the systems. That is partly because there is a lot of communication that we need to do. There is also setting up a new payment plan, as I referred to earlier, and there are the data systems and everything we need to put in place properly.

Then the running cost of that will be around £13 million. These are estimates, just in those broad ballpark terms. Those figures—not the £38 million, which will come out of the BBC budget, but the £13 million—are part of what Mr Davies was referring to earlier in terms of that ongoing £250 million cost. That broadly explains where that money will go.

Q72 **Brendan O'Hara:** It is £38 million in a one-off payment to set up the system and then £13 million per annum?

Clare Sumner: Yes, for running costs. Potentially, that £13 million could go down but we need to make sure that we allow some scope for implementation, which is why we said that the £250 million is subject to the implementation costs and the take-up of the Pension Credit.

Q73 **Brendan O'Hara:** The £250 million will be based on everybody paying. Have you worked an evasion or non-payment rate into that?

Clare Sumner: We have added an evasion rate into that.

Q74 **Brendan O'Hara:** Of what percentage?

Clare Sumner: That comes from the Frontier work we established earlier, which was around 8%. That is higher than the average evasion rate, which is about 6.5%. Part of that is because we are expecting a transition here. One of the reasons we took our decision a year before June 2020 is to enable us to make those preparations and also to work with organisations and people to help make that transition as simple as possible.

Q75 **Brendan O'Hara:** You have worked on the basis of an 8% non-payment rate. Part of your armoury in getting people to pay is that you quite vigorously pursue non-payers of the licence fees. Is it your intention to have the same people using the same methods to pursue over-75s as they do under-75s?

Clare Sumner: We think it is really important to do this as sympathetically as possible. We are doing several things that are best practice.

We recognise that this group will perhaps need more telephone support and face-to-face support. We are recruiting a specific group of people to pay support visits to this group with the intention of helping them understand what the system is and how to apply. That will be a different cohort of people to the inquiry officers, who enforce the licence fee. We have decided, which is why there are costs involved in this, to employ a specific group of people and also add more people to our telephone hotlines, who will be dealing with this cohort of people. We think that is really important.



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Q76 **Brendan O'Hara:** The cost of that cohort of people is included in the £13 million, yes?

Clare Sumner: The £38 million is for us to hire to additional contact centre staff. The ongoing costs of having those groups are in the £13 million.

Q77 **Brendan O'Hara:** You will be using the same tactics but with different faces coming to your door?

Clare Sumner: No, it is not the same tactics. We are trying to work with this group so that we will do more to support this group through online contact, hotlines and also face-to-face visits. We will also work with those organisations which we know these groups are in contact with already like AgeUK, Independent Age and Dementia. We are also introducing a new smaller payment scheme for this group. We are doing a range of things that are different and take into account—

Q78 **Brendan O'Hara:** You can see the problem, though. If you are 75, 77 or 80 years-old and a licence fee person comes to your door and you are a poor pensioner who simply cannot afford to pay it, it is pretty traumatic.

Clare Sumner: They will not be coming to the door in quite the way you imply. TV Licensing start by writing to people. We have written to over 4 million households, setting out what they can expect. We will write again in February next year, which is when the TV licensing regulations will be approved by this House. In that way, many people can comply and can decide to set up a payment plan. However they want to pay at that point, they will be able to. Those who are on free TV licences can establish their eligibility by using proof of receipt of Pension Credit. Those people will qualify for a free licence.

Q79 **Brendan O'Hara:** You do accept, though, that the people in that group are far more likely to be in the "can't pay" category rather than the "won't pay" category, and they have to be treated extremely differently from the people in that latter group?

Clare Sumner: We have recognised that in the plans that we are developing and putting in place. We have taken into account that to pay the licence fee in one go may be difficult and so we are potentially setting up schemes where people can choose to pay as little as £3 a week. We are making sure that we reach out to carers and family members because we recognise that many in this group may not want to do the form themselves directly. We want to make it as easy as possible. We will also be doing outreach events, working with local GP surgeries and local community centres to make this as simple as we possibly can.

Q80 **Brendan O'Hara:** Thank you. Your estimate is, on the current take-up of the Pension Credit, that the new concession will bring in £250 million. We have heard already that four in 10 people who are eligible for the Pension Credit do not currently take it up. Have you worked out what happens to that £250 million figure when those who are eligible for the Pension



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Credit do take it up?

Clare Sumner: There are a range of scenarios here. The Chair may wish to say more about this. Of course we have. You will see that Independent Age suggested that the Government should reintroduce the targets that were there when the Pension Credit was first introduced of around 75% and building up, I imagine, over time. We have looked at different financial scenarios. If it were to rise as far as 100%, that would cost us more than £250 million.

Q81 **Brendan O'Hara:** Is there a percentage figure that you have when it becomes financially impossible for you to do?

Lord Hall: Not financially impossible, but the balance for the Treasury, where the cost to them is more than the £500 million cost if they were to plug the gap, is about 77% to 78% take-up.

Q82 **Brendan O'Hara:** A 78% take-up of the Pension Credit would make this uneconomic for the Treasury?

Lord Hall: But it would outweigh the benefits by putting the £750 million on us.

Clare Sumner: The estimate we have for 75%, bearing in mind we have some other additional costs that we have been discussing, is around £248 million. For the Government, depending on the numbers who claim, it is about £680 million. Those figures go up exponentially as Pension Credit take-up goes up. One of the things we do not know is how much it will go up, but we can certainly see that the visibility of it has increased and people—including us—are taking more queries about the Pension Credit and how you should apply.

Q83 **Brendan O'Hara:** What percentage of people pay the licence fee by direct debit?

Clare Sumner: I am afraid I do not have those figures with me. There are 25 million households.

Q84 **Brendan O'Hara:** Is it the case that you pay for your licence in the first six months if you pay by direct debit and all subsequent payments made that year go towards the cost of the following year's licence, so the licence fee payer is always in credit by about £77 a year?

Clare Sumner: That is right. Of about 25 million households, 76.3% pay by direct debt. That is their chosen method. What you suggest is right. For the majority of those people, there is a prepayment that is made so that, in effect, they are always in credit with us.

Lord Hall: We would not do that for the over-75s. We would not ask you to pay in advance in that sort of way.

Q85 **Brendan O'Hara:** It is interesting because, following the announcement of the scrapping of the free licences for over-75s, a constituent of mine, Ruth Campion from Helensburgh, inquired about this. She was expecting



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when she reached her 75th birthday to have her £77 repaid. She was told by the folk at the BBC licensing that if she did not qualify for the Pension Credit and therefore did not qualify for a free television licence, the money that she was owed would be refunded to her estate on her death. Is that right?

Clare Sumner: I have not heard of that particular case. That does not sound quite right to me.

Lord Hall: That is just wrong.

Q86 **Brendan O'Hara:** Where would Ruth get her refund from, then? When she reached her 75th birthday, she assumed she was getting it refunded and was told, "You do not qualify for a free television licence, so it will just roll on". She asked, "When will I get it?" She was told, "It will be refunded to your estate".

Clare Sumner: I am very happy to take that up separately. We cannot comment on that individual case, but that doesn't sound quite right to me.

Brendan O'Hara: If you could, that would be welcome.

Clare Sumner: Of course. Absolutely.

Brendan O'Hara: Thank you.

Q87 **Clive Efford:** Lord Hall, taking the questions exchanged with the Chair earlier on, do you agree that the licence fee concessions are a welfare benefit and should be administered by the Government?

Lord Hall: I agree that the concession and the determination of who should—yes, it is a welfare benefit administered by the Government. Yes.

Q88 **Clive Efford:** Did the Government seek any guarantee from you in the 2015 deal that you would secure the concessions for all over-75s going forwards?

Lord Hall: No.

Q89 **Clive Efford:** You made it clear to them that it was not sustainable and that it would require reform if the BBC was to take it on?

Lord Hall: Yes.

Q90 **Clive Efford:** Taking it from your exchange earlier on, in order to do what you consider to be a favourable deal for the BBC, you took on the dirty job of cutting concessions for over-75s?

Lord Hall: I think there was no option, as those who were there at the time have made absolutely clear. This was coming to us whether we wanted it or not. This was a new Conservative Government with a majority coming in fresh with the success of that election. This was coming our way, come what may.



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Q91 **Clive Efford:** You made it clear that it would have to be cut at the time that you took it on, and the Government were happy for you to do that, and they did not seek any guarantee that you would protect it going forwards?

Lord Hall: That is right.

Q92 **Clive Efford:** You took on the responsibility for cutting it?

Lord Hall: We did.

Q93 **Clive Efford:** You did that knowingly, so the BBC sold the 75 year-olds down the river in order to get a deal.

Lord Hall: No. Let me be absolutely clear. I go back to it. Did we sell people down the river? Absolutely not. This was coming—

Q94 **Clive Efford:** You did, because you were very clear about what you were doing.

Lord Hall: I care deeply about what I do—

Clive Efford: “Clear”, I said, not “care”.

Lord Hall: This policy was coming to us, come what may. The question asked was, how many concessions could we win from that to offset it? The other question was what the nature of the policy would be and how we would carry out a consultation to reform. The difficulty was it is perfectly possible, but the consultation, being fair and open, could have said, “98%, stick with the concession”. The fact that it did not means we are in the position we are today.

Q95 **Clive Efford:** We all accept it was a consultation you should not have been holding in the first place because it should not have been your responsibility, but the fact is, and you have just repeated it, you did a deal. Part of the deal was that you took on the responsibility for cutting this concession for over-75s. You took on that responsibility knowing that you were going to have to cut it.

Lord Hall: We knew that reform was on the table. We did not know the scope of that reform or the scale of that reform back in 2015, but it was made absolutely clear by the Government that the policy was coming to us, and that is what the Digital Economy Act did.

Q96 **Clive Efford:** It is just quite clear it is part of the deal, isn't it? It is part of a deal that you agreed with the Government. The Government did not want to make this cut themselves. They dumped it on you. In return for this, you get these other benefits, and you took on that responsibility of doing this.

Lord Hall: We took it on. That was part of the settlement, yes.

Q97 **Clive Efford:** So that we are clear, it was a quid pro quo as part of the deal that you would have to take this service away.



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Lord Hall: It was a settlement that said we would take on that responsibility.

Q98 **Clive Efford:** It was known at the outset that you were going to do it. You knew it and the Government knew it.

Sir David Clementi: Mr Knight has argued that the expectation was that we would continue the concession. You seem to be arguing that the expectation was that we would definitely cut it. My view, having spoken to many people—but, Tony, you need to speak about this—is that there was no absolute expectation. Reform was certainly in the air—John Whittingdale said so at the time—but there was no absolute certainty as to what the outcome would be, nor could there have been since the thing was going to happen five years hence.

Q99 **Clive Efford:** I am a little bit more confused now because when I asked the original question to Lord Hall he was quite clear that it would have to be cut, that there would have to be reform.

Lord Hall: What we took on board was the concession that over-75s would come to us. We would then consult. Depending on the consultation and the results of that consultation, which had to be a fair and proper consultation, we could reform. As John Whittingdale made absolutely clear, they knew at the time that that was a possibility. The idea that somehow that was not a possibility or somehow we have reneged on some settlement is just plain wrong.

Clive Efford: We are going around in circles now, but the point is established.

Q100 **Chair:** I just wanted to for the record restate what it says in the BBC Trust minutes for that day, 6 July, when the decision was made. "The Director General and the Managing Director of Finance and Operations updated the trust on their discussions with the Government. The executive's position was to accept the Government's decision to transfer the cost of the over-75 licences to the BBC on the basis of the Government's proposed mitigations and its support for the BBC's long-term financial stability. The Director General and the executive would work to develop a strategic plan so the BBC was ready to live within the new financial parameters."

I was reading what is in the minutes for the board meeting of the BBC Trust on that day. Chairman, you can shake your head; that is what it says.

Lord Hall: The minute is inadequate because it is absolutely clear—

Q101 **Chair:** It has been adequate for four years.

Lord Hall: No, come on. The plan that is outlined in that is exactly the plan we have been outlining now. The policy was coming to us. It was clear. The then Secretary of State is quite clear about that. I do not understand why you are not.



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Q102 **Chair:** All I am saying is that that is what it says in the BBC Trust minutes—a meeting you were at that was held on the day the decision was announced. I am not surprised you challenged the minutes, because when you read them it does not really bear with what you said. I do not understand why you have not challenged the record of those minutes.

Lord Hall: Can I just say, I was there, and none of you were. The issue of the over-75s and the reform of the over-75s and going through a consultation, was absolutely part of that decision-making. The trust knew that, as did we.

Q103 **Chair:** As I said, if I was the minute-taker for that meeting, I have obviously come out of that meeting with a slightly different view.

Lord Hall: Nobody left that meeting without understanding that.

Sir David Clementi: I have seen the exchange of letters between the BBC and the Secretary of State. They make quite clear that the responsibility and the cost implication of that policy decision rested with the BBC. We cannot speak for the minute-taker of—

Q104 **Chair:** The reason these minutes are important is because, as Lord Hall said earlier, ultimately it was down to the trust to agree to this. If you were at that meeting of the trust, you might have had a totally different impression of what had been agreed to that has now been set out by the BBC.

Sir David Clementi: I am sure that would have been raised when Parliament discussed the Digital Economy Act. We have followed the Digital Economy Act to the letter.

Q105 **Clive Efford:** I think we have established the facts of that. In terms of using pension credit as the gateway to the concession, you have answered earlier on with your reasons why you came to that, and you have said, Ms Sumner, that you intend to work with other organisations to promote awareness of pension credit. Can we expect the BBC to run a public awareness campaign on its channels to make sure people know how to claim pension credit, or is there a disincentive for the BBC to do that because the more people that claim pension credit, the more it will cost you?

Lord Hall: We will do everything that we can to make sure, first, this is carried out sensitively—I think Mr O'Hara was talking to Clare Sumner about that—and we will also use all our methods of informing the public what concessions could be and how you can apply for them and so on. There are ways to do that.

Q106 **Clive Efford:** Something in the form of public service broadcasts at various times of the day?

Lord Hall: Yes. We have started doing that. We have started doing that.



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Clare Sumner: We do radio shows on Two, Three and Four, for example. What we have to do, of course, is explain both elements here. We have to explain what is in place here, the new payment scheme for people who have to pay, and on Pension Credit, if you are eligible, and also link them to organisations that can help them.

Q107 **Clive Efford:** It is open to the Government to step in and say, "We want to continue with the benefit". Have you had any discussions with the Government about that? Have you made an approach? Is there any response?

Lord Hall: We had a meeting with the Government and they made their unhappiness with the decision very clear. They also have begun talking with us about how we can work together on ameliorating and making sure people understand with DWP, how we are going to approach people and so on. There has not been anything about, "Will you take back the concession in full?" That is a matter for the Government and for a new Government, I guess.

Q108 **Clive Efford:** That option is there for them, and they have not made any approach to you to say, "We want to continue with this benefit"?

Lord Hall: No.

Q109 **Clive Efford:** The deal that was struck in 2015 is still in place?

Lord Hall: Yes.

Q110 **Clive Efford:** When you came to the decision, when you were balancing your responsibility that you took on in 2015 to people over the age of 75 against the costs and the implications for the BBC, what sorts of things did you list as the cons for keeping the benefit in place? How did you balance your decision?

Lord Hall: Financially, we looked at the cost of continuing with the concession against how we would take out £750 million from our programme budget.

Q111 **Clive Efford:** What would have been lost in those programme budgets, then?

Lord Hall: In those programme budgets we would have lost things to the order of—let me just explain one thing to you. Between 2010 and about 2017 we did a huge amount of savings, which were good productivity savings, closing buildings, procuring in different ways, all sorts of big contracts in different ways, all sorts of things that were real efficiencies. That is why our headline rate now of overhead is 5% versus 95% on programmes and services.

The position we are now in is that we will carry on driving efficiencies but at a lower level than we have done between 2010 and 2017-18. You get very quickly to services. You get very quickly to cuts in scope.



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We have outlined in our public declarations this policy and the balance we are looking at. It would mean things like BBC Four, BBC Two, cutting back on our investment in the nations and regions in local radio, none of which—and this came out strongly from the consultation because I think both Clare and the Chairman have been through the balance of arguments that came out of the consultation. There were very, very few places in the consultation where people said, “We do not want the full array of services you are currently giving us”. That meant that to take out that amount of services to the public was both going against the spirit of what we have in the consultation and of course would lead those people who are paying the full licence fee to say, “Hold on. I am now getting less value for money because I am losing services for which I have hitherto paid”.

Q112 Clive Efford: On the payment by instalments that you have offered to people over 75, is that the BBC setting up the first steps towards a subscription method of payment?

Lord Hall: No. That is a really interesting and good question. We are looking to make it as easy as possible for all licence fee payers to pay, and we want to make that as easy and as sensitive as possible.

Is that the first step to saying, “Let’s take a subscription model for the BBC”? You could decide that the BBC is a subscription service. It would be very, very different to the sort of BBC you have now because you would be giving the subscribers what they want, not the breadth of the population, which is what the current system does.

The licence fee is a secure way of paying for the BBC because it guarantees universality. It guarantees everybody access to news, to big sporting occasions, to dramas that bring people together, to local radio, to the national services we have. If you decide to say, “Is this the first step to subscription?” you might decide that is right for the BBC, but you have a very different BBC and you would not have a universal BBC.

Q113 Clive Efford: The BBC has not looked at this as a first step towards that? It is not examining what the benefits of a subscription process are?

Lord Hall: No. First, the licence fee is a method of funding the BBC concession that I won in the charter renewal process until 2027. Even if it were, I would argue that is the wrong model for supporting the BBC. I believe profoundly in things that are universal and that everybody benefits from. In days when people are disappearing into their own zones more and more, those things that bring us together are really important.

Can we learn from subscription models of making it very easy to pay? We should absolutely do that. Would we like to have a weekly method of payment for the BBC? Personally, I would. Whether we could deliver that, I do not know yet. Learning how to make it as easy as possible to pay I think is what we can learn from the SVODs, the subscriber video-on-demand services.



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Q114 **Lee Rowley:** I want to move on to another issue that the BBC has at the moment—personal service companies, which you have spoken about, Lord Hall, before at Public Accounts Committee. Let's start with the qualification of your accounts. Do you think you should have got yourself into a place where your accounts were qualified almost at the same time as the NAO started looking at your accounts?

Lord Hall: It is not a qualification of the accounts. It is the issue of irregularity. Let me just go back to make sure we are on the same page with this.

Q115 **Lee Rowley:** I would just prefer if you answered the question, if that is possible.

Lord Hall: I have just answered your question, which is it is not a qualification of accounts. It is a question of irregularity. I know you like binary questions, I know that very well, but this is a question. Let me try to be binary about it. We think it is right to try to ameliorate the position that we have found ourselves in with PSCs where we have said in many cases, historically, people were told by the BBC to take on PSC status. We want to get a deal with HMRC to be able to bundle these cases up and deal with it, essentially. As you know, Mr Rowley, we are finding this really hard to get traction with HMRC. We have prudently set aside a sum of money that we think is prudent for those cases. Because of this issue of regularity, the NAO has said, "We think this is not regular; it is not your core purpose".

However, the issue of whether we should set this aside has been dealt with by the board which, as the legitimate authority running the BBC, thinks we were right to do that.

Q116 **Lee Rowley:** You have a qualification from the National Audit Office Comptroller and Auditor General.

Lord Hall: Do you want to answer the qualification point? It is not a—

Glyn Isherwood: To reiterate what Tony says, we had a clean—

Lee Rowley: No, I do not want to reiterate it.

Glyn Isherwood: We had a clean financial audit.

Q117 **Lee Rowley:** The question I am asking is whether you were happy with the qualification from the National Audit Office, the second year that the NAO started looking at your accounts. Let's stick to the question.

Glyn Isherwood: It is a qualification in relation to regularity.

Q118 **Lee Rowley:** It is a qualification, quote unquote. "I have qualified my audit opinion." That is Sir Amyas Morse's statement. I am not going to argue with that. That is what he said. We know what the qualification is. Are you happy with it? Yes or no? A binary question, as Lord Hall says. I love binary answers. Yes or no?



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Lord Hall: I am not happy with that because—and here I look to the board—the board feels we are doing the right thing. We want to solve the issue of PSCs and our presenters who find themselves, because of the change in the HMRC rules and the CEST test and all of that, in a difficult position. We set aside money for that. We think as a board we are right and we are disappointed that the NAO should take this issue, if that answers the binary question.

Q119 **Lee Rowley:** It does, thank you. I just want to understand how you have got to where you have got to. I am looking at your statement from March 2018 where you set out in public that you need a “compelling justification”, those are your words, for assuming the tax liabilities of others. What is that compelling justification?

Glyn Isherwood: There clearly is a dispute around what tax is owed due to the status classification of presenters over a period of time, looking back in history. That dispute exists between presenters, ourselves and HMRC. We accept that we have a role to play in resolving those issues. We are trying to do that in a way that is pragmatic and fair to presenters but also fair to licence fee payers in a way that presents value for money. While we have a qualification in the accounting related to regularity, we are doing it in the most pragmatic way, which ultimately delivers value for money for licence fee payers.

Q120 **Lee Rowley:** There is a difference between pragmatism and compulsion. What is the compelling justification for this action?

Lord Hall: We want to do right by the presenters who are suffering from the changes in HMRC rules, some or many of whom say they were compelled by the BBC historically, back in the 2000s, to set themselves up as PSCs.

Q121 **Lee Rowley:** You accept you did wrong with them?

Lord Hall: Yes. I cannot remember which Committee I have said it in before, but I think we have accepted responsibility for that, yes.

Glyn Isherwood: Where you have sole traders, who have previously been classified as freelance, where they are classified as employed, employees’ National Insurance needs to be paid. Where that is determined, we have to pay that and we have a legal responsibility for that. Where we have engaged people through PSCs, the logic would follow that we have to make some payments to resolve the issues in a similar fashion.

Q122 **Lee Rowley:** I am just curious why that conclusion has been arrived at now, rather than at the time or close to the time, because this has been going on for a number of years.

Glyn Isherwood: At the time, we did not have sufficient engagement with our presenters around some of these issues. We have learnt a lot over the last year and we are now in a position where we want to resolve



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those. We have not had any of those tribunals triggered. We could take an alternative course of action, which is to allow all our presenters to go through tribunal at significant cost, then come back and try to claim money off the BBC at significant cost and professional fees, and then we could settle and trigger a payment that would be regular under the definition of the NAO's report. However, we think the best course, which we agreed with the board, was this process.

Q123 Lee Rowley: You have estimated this will cost £12 million in your accounts. That is an estimate, correct?

Glyn Isherwood: Yes.

Q124 Lee Rowley: How accurate is that estimate?

Glyn Isherwood: What is difficult, because these are complex issues, is that the categorisations are changing because as presenters go through tribunals we get different verdicts. We have had to make the best assumptions we can based on what we understand now and based on our conversations so far and discussions with HMRC. We have made three submissions already and we can only work at the pace of the slowest there. We move very quickly on these. The HMRC has much deeper levels of governance and discussions—

Q125 Lee Rowley: What is your confidence level?

Glyn Isherwood: Our confidence in relation to this will depend on how our discussions continue. We have a good level of confidence that that was the right provision to put in place at that time. If cases go through tribunals that give different outcomes, we will have to adjust that provision accordingly.

Q126 Lee Rowley: If I get run over tomorrow when I walk down the road, I will be dead, so there are a series of known unknowns and unknown unknowns. I am asking you to tell me how confident you are in the modelling.

Glyn Isherwood: As we made the provision in our accounts we had a high degree of confidence that we made the right provision.

Q127 Lee Rowley: A high degree. Fine. It could be more than £12 million?

Glyn Isherwood: It could be, depending on the outcomes of the tribunals.

Q128 Lee Rowley: What is your range?

Glyn Isherwood: It will entirely depend on factors. When we discussed with the National Audit Office what an acceptable material range around the edges would be, we thought plus or minus 20%, but that is a range and that could change depending on other factors.

Q129 Lee Rowley: The extreme is £12 million plus 20%, so just short of £15 million, so it will not go above £15 million?



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Glyn Isherwood: Based on what we know today, we do not expect it to go above that limit.

Q130 **Lee Rowley:** Above £12 million or above £15 million?

Glyn Isherwood: It will entirely depend.

Q131 **Lee Rowley:** It will not entirely depend, because you have an evidence base that you have gathered over a number of years, which will enable you, as the people who are paid a lot of money to work this out, to give me a number, which I am asking you to give me.

Glyn Isherwood: We gathered evidence and made a decision at the time to put £12 million in. We understand that there is flex beyond that and we do not think that will be more than 20%.

Q132 **Lee Rowley:** What is the average settlement per individual that you are expecting to pay?

Glyn Isherwood: We have more than 300 PSCs running through these issues at the moment. If you divided the £12 million by 300 I think you get about £40,000, but that is over a period of four years for taxes and six years for NIC.

Q133 **Lee Rowley:** Have you settled any to date, or have you come as close to a settlement with any to date as you can?

Glyn Isherwood: As you know, we have communicated to our presenters to say what the underpinning principles are in a settlement. We have only settled those that have absolutely gone through tribunal and lost, and we have made a payment in one or two cases, but not many. We have not gone beyond that.

Q134 **Lee Rowley:** What is the average settlement of the ones you have settled?

Glyn Isherwood: I do not have that information.

Q135 **Lee Rowley:** Is it far away from £40,000?

Glyn Isherwood: I do not have the information on me.

Lee Rowley: Can you write to either the Chair or to my Committee?

Chair: Perhaps if you write to this Committee and we will make sure that the Public Accounts Committee receives that as well.

Q136 **Lee Rowley:** That would be great. Thank you.

I am also curious, and perhaps I am reading too much into your public statements. In your 19 March 2018 public statement you talk about assuming some responsibility and assessing whether it is appropriate to make any contribution, but by the time you get to your 25 March 2019 statement you are talking in a much broader sense of sorting the tax liabilities of individuals. Is it fair of me to make that assessment? You have moved your position in the last year or so and you are taking on the



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full liability?

Glyn Isherwood: I think we are. Having spent more time with presenters and come to this issue afresh, we are accepting that we played a role in presenters setting up PSCs and we have a role to play in closing this issue down.

Q137 **Lee Rowley:** The £12 million or the £15 million or whatever it ends up being at the end of this, according to your accounts—page 229—includes a number of things. The taxation itself—I am clear on what the taxation is. It is what we are talking about, the average £40,000 or whatever it is. Litigation. Is that cost of the litigation that the individual presenters may have gone through? You are indemnifying them for their costs?

Glyn Isherwood: No, we are not indemnifying costs for litigation. In the note that is set out in the accounts for this provision it includes other elements. The £12 million is purely the cost of settling this issue. It does not include litigation costs.

Q138 **Lee Rowley:** It is solely for taxation.

Glyn Isherwood: There are other provisions in the accounts that include litigation costs.

Q139 **Lee Rowley:** How much are litigation costs so far? How much are you expecting?

Glyn Isherwood: We have not incurred any litigation costs in relation to taking PSCs through the courts. To the extent they want to do that, they fund that themselves.

Q140 **Lee Rowley:** Then you will pay them back, or they have to pay the costs of something that you have caused?

Glyn Isherwood: No. We have worked with those people going through litigation and tribunals in terms of giving evidence to HMRC, supporting and making them understand some of the issues, but we have not supported them in terms of legal costs.

Q141 **Lee Rowley:** You accepted five or 10 minutes ago the responsibility for this, which means that you are the cause of them going through that legal process. Why are you not assuming the cost of that legal process?

Glyn Isherwood: We are trying to find a way to avoid them having to go through this legal process.

Q142 **Lee Rowley:** Some of them have.

Glyn Isherwood: If an individual wants to go through a legal process to get clarity going forward, that is one thing, but to clear up the historical issues, if they want us to help them do that in a way where we are all agreed that they should have been employed for tax status over that period of time, then we are happy to settle. What we are not doing is



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saying that we will support every individual who runs a PSC if they want to go to tribunal and fight their case.

Q143 **Lee Rowley:** For those who have already incurred legal costs, are you paying those?

Glyn Isherwood: No, we have not paid those.

Q144 **Lee Rowley:** Even though you were the cause of those legal costs?

Glyn Isherwood: These issues have been running for years with HMRC. As you know, the—

Q145 **Lee Rowley:** There is a point here. There was a very clear statement a number of minutes ago: you are responsible. If you are responsible, then you are responsible for it all. Not half of it, not two-thirds of it, not the bit you want. You are responsible for the lot of it. If I am sat here as a BBC radio presenter somewhere in the north of England and I have had to incur costs as a result of decisions that were made higher up, you are responsible for it.

Glyn Isherwood: It is not as binary as you suggest because—

Q146 **Lee Rowley:** How is it not binary?

Glyn Isherwood: It is only binary if people go through the courts and get the determination that satisfies all parties. At the moment we are trying to find a way through this that avoids people having to incur significant costs and go through tribunals. We think that is the right thing for us to do.

Q147 **Lee Rowley:** I am not at all convinced that is the case, but let's move on. Insurance. What does that refer to, in page 229 of your report?

Glyn Isherwood: Insurance, in relation to the provision, though.

Q148 **Lee Rowley:** Yes, so it is taxation, litigation and insurance, without paying for—

Glyn Isherwood: These are provisions for other types of core insurance. To explain, the total provision note includes other things outside in relation to employment issues.

Q149 **Lee Rowley:** Fine. It may be related to something else. Are you paying individuals affected by this anything else? Compensation, loss of time, any other aspect?

Glyn Isherwood: We had a long list of requests a year ago from a number of our presenters, and we have done some things to help on that. We have cleared up our admin processes and helped with that. We have provided some accountancy costs to help them understand statements they receive from the BBC. We have made a number of payments and they were a maximum of £500 per individual. They totalled £30,000. Beyond that, we have not incurred other costs in relation to—



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Q150 **Lee Rowley:** Do you have any intention of incurring any additional costs?

Glyn Isherwood: No. I think the only area that we have talked to some of the presenters around was if we get to a settlement with HMRC, which is a three-way settlement, which requires them to understand the issues, whether there is another tranche of fees similar to the accounting costs that helps them understand the settlement.

Q151 **Lee Rowley:** Have you internally modelled how much this has cost you to get here? Internal lawyers' fees, senior executive time taken up and so on.

Glyn Isherwood: We have not. As you know, these issues have been going on for many years. We have not modelled in detail all the costs, but clearly we have been incurring cost in terms of our own time, which we have not modelled, and some professional support from Deloitte, which has been helping us. Some of that goes back to some of the interpretation and understanding the CEST, which came in in 2017.

Q152 **Lee Rowley:** We are in the context here of talking about a wider issue with regards to the money and where you choose to spend your money, and we are talking here today about £12 million to £15 million, plus additional on-costs, whatever they are, probably in the millions—that is my estimate, not yours. We were at Public Accounts a number of months ago, and your "EastEnders" renewal was £30 million over. It does not look good, does it, when you are losing £30 million down the back of the sofa because you cannot rebuild the Queen Vic, and you are losing the best part of £20 million here, or whatever it is, on disagreements with your employees, and then you are taking over-75 licences away.

Glyn Isherwood: We are offering something that is a best value for money way of resolving these issues in the quickest way, which reduces the stress for our presenters. That is absolutely our priority here.

In terms of building "E20", we have been through that previously at the Committee and you know that we had substantial issues—

Q153 **Lee Rowley:** It was a general point rather than a specific point. Finally—

Lord Hall: Just two thoughts, Mr Rowley, if I may. One is we are dealing here with cleaning up historical problems. The PSC problem is a historical problem and the "E20" set is also a historical problem. It was meant to last a matter of years and we are now dealing with something that is not worthy of the importance of the programme. We are clearing up some historical problems that the BBC has had.

Q154 **Lee Rowley:** Finally, the intended outcome, so I am clear, is that you will close down these "historical problems"—that is your phrase, Lord Hall—so they are closed entirely. HMRC will not be reopening them. You will be seeking assurances from HMRC. The ones that are closed and you pay the money, whatever the money is, that is it. It is gone for you and it



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is gone for the presenters themselves.

Glyn Isherwood: We are seeking to draw a line under those historical issues and put aside a provision with the intention to do that.

Q155 **Lee Rowley:** For a local radio presenter sat in the north of England today affected by this, the statement is clear: you guys will fix this, you will pay for it, and it will go away?

Glyn Isherwood: It is not as simple as that. There are different issues. We will play our part in this. It is going to be up to presenters and PSCs to accept their level of contribution towards this. Indeed, if they have issues of how they have run their PSC in the past, we want to fix it in relation to BBC income drawn over that period of time.

Q156 **Lee Rowley:** For relevance to the BBC income, you will fix it and it will be sorted?

Glyn Isherwood: That is what we are seeking to do.

Q157 **Chair:** The last time that Tony appeared in front of us we discussed this, and obviously our concern was not just the financial cost to the BBC but also the suffering that many BBC employees have endured through this. The National Audit Office report and PAC reports looking at this have established that this was due to a BBC policy change in 2008 requiring freelancers to establish personal service companies. I know the PAC went to some lengths to try to establish how and where that policy decision was made. Apparently there is no record of it. From a governance point of view, is it not concerning that there appears to be no board minute or other note that establishes who the author of this policy was and why it was agreed?

Lord Hall: I was not there, but I repeat what I said to the PAC when I was there that, yes, it is strange.

Q158 **Jo Stevens:** I just wanted to get a clear understanding, having listened to all the discussion about the over-75s issue. Lord Hall, you started off this morning by talking about trust and transparency, and I absolutely agree with you that for the future that needs to be at the forefront of those discussions. The BBC has kept its side of the charter deal, hasn't it?

Lord Hall: Yes.

Q159 **Jo Stevens:** Yes. The Government have not kept their side of the deal on the iPlayer issue.

Lord Hall: They did not carry out in full what they promised to do.

Q160 **Jo Stevens:** The Government's 2017 manifesto, as Mr Lucas said, promised to keep pensioner benefits when the Government knew they had already given you that terrible hospital pass. That had been and gone.



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Lord Hall: They had given us the over-75s concession and then, by law, told us to sort it out by June of next year.

Q161 **Jo Stevens:** Yes, and you raised this with them when the manifesto came out, and you have not had any adequate response.

Lord Hall: Yes.

Q162 **Jo Stevens:** I am clear on that now, thank you.

I want to turn to something else, which is pay issues. Obviously you will remember the previous hearings where we were looking into the issue of unequal pay or equal pay at the BBC. I just wanted to ask you some questions about an update, really.

Last September, Anne Bulford gave us evidence about the number of equal pay grievance cases that were in the system. I think this was on 11 September last year. She said, "At the moment we have just over 200 cases that are in informal resolution stage". There are 78 formal grievances lodged, and at that point, 11 September, there were 68 outstanding formal grievances to be resolved. Between last September and now, are you able to update us on the position on those cases?

Glyn Isherwood: Perhaps I will do that. You are right; we welcomed people to come and ask about pay queries over the course of last year because of the transformational change we did in terms and conditions and pay framework at the BBC. Some of those have taken longer than we anticipated.

I am happy to say that on the informal pay queries in September we had 200 outstanding. That is now reduced to 25, but during that time new queries have come through as those new arrangements have settled with people.

On the formal cases, I think you said we had some 64 at that point. That has increased a little bit since that time and it now stands at 103. In total, we have 128 outstanding queries, and that is out of a total number of queries of some 1,299. We have resolved more than 90%. We are still working through those.

Q163 **Jo Stevens:** In total, 1,299 have come in. Your numbers have gone down on informal, but your numbers on formal have gone up, which I suppose is a long tail approach as it goes through the system.

Glyn Isherwood: They are all the people who have gone through the informal process and have decided they want to then enter the formal process.

Q164 **Jo Stevens:** Fine. You say in your policy that you are going to resolve these things in 90 days, but you have not been able to do that.

Glyn Isherwood: It has taken us longer than we anticipated, and what is important here is we get the right robust process in place to deal with cases adequately.



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The timing has come down. Since September, we have taken action to put in more hearing managers and we have put in people on a full-time basis. Trying to hear these cases in addition to your day job is quite difficult. We have found ways of speeding up the process and have done things like thinking about the triage upfront of cases. We are also doing intermittent reviews across a range of cases to see if we can close them a bit quicker.

Q165 **Jo Stevens:** Do you still have Croner involved?

Glyn Isherwood: We still have Croner involved in the formal process. Croner are the independent legal experts that have been helping us through this, and they sit on all the hearing cases of all the formal ones.

Q166 **Jo Stevens:** You mentioned the new terms and conditions and career path framework. Can you assure us that that complies with equal pay legislation?

Glyn Isherwood: Yes, absolutely. We have been through a very rigorous process to put in the new career path framework, and it gives a high degree of transparency for staff in terms of where they sit in that framework. It has market-informed pay ranges. Within that, we reduced the number of roles from 5,000 to 600, so it is a much more simplified and standardised way of working.

Some organisations do accept that they pay a spot rate for certain jobs, but we do recognise skills and experience in the rates of pay we offer for a job. That does not mean that we fall foul of the Equalities Act, because you can pay a different rate for the same job. We do that.

Q167 **Jo Stevens:** I am very pleased to see that the split reporting has been put in place, so people can look and see how men and women are paid in their pay range. Was that as a result of the recommendation that we made in our report?

Glyn Isherwood: In relation to the—

Jo Stevens: In split reporting.

Glyn Isherwood: We reviewed it for a number of roles. That was helpful to get feedback and we have taken that on board.

Q168 **Jo Stevens:** As a result of your introduction of split reporting, have any complaints or concerns about unequal pay been raised because people now have that visibility?

Glyn Isherwood: Through the process of looking at all the queries that we have had, a number of equal pay cases have been settled as part of that, but that is a very small percentage of the whole population.

Q169 **Jo Stevens:** How many current equal pay tribunal cases do you have ongoing against the BBC?

Glyn Isherwood: In terms of the formal process, we—



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Q170 **Jo Stevens:** Beyond the formal process, as actual tribunal applications being lodged.

Glyn Isherwood: I do not think we have any.

Q171 **Jo Stevens:** You do not have any?

Glyn Isherwood: No.

Jo Stevens: That is good. Fine. Thank you very much.

Glyn Isherwood: Let's just confirm that with you, though. I do not have the number.

Q172 **Philip Davies:** On the pay issue with the gap between what men were paid and what women were paid, which I think you all accept now was unacceptable, was it your view generally that the men were being overpaid or that women were being underpaid?

Lord Hall: It is a mix of all those things, and if you run an organisation then you know that in some cases maybe underpayment of women is an issue, and in some cases it may be overpayment of men. Sometimes there is underpayment of men as well. What we have just been describing is bringing in rationale to the system for the generality of the people that we employ. That is the first time in a generation. Now we have brought that to our presentation teams as well, and that is why we are able to report it, plus, frankly, us keeping a focus on this. That is why we were able to report it. On our over £150,000 a year presentations team, we have gone from 75% men versus 25% women two years ago to 55:45. I aim to get to 50:50 next year.

Q173 **Philip Davies:** How many people's pay did you cut, as opposed to how many people's pay did you increase to get to that?

Lord Hall: I cannot give you that figure, but the overall pay bill is down.

Q174 **Philip Davies:** Would it not help the gender pay gap greatly if you were to do something about Gary Lineker, given that his pay is so astronomical, certainly compared to many female presenters who present football? I just wondered what research you had done into how many people watch "Match of the Day" simply because Gary Lineker is presenting it. I am as big a football fan as you will probably find, and I think I speak for many in saying that I would probably watch "Match of the Day" even if nobody was presenting it, because I want to watch the highlights of Premier League football matches. I just wondered what basis there was for paying such an astronomical wage to him.

Lord Hall: Maybe in the future AI will give us a cheap way of presenting programmes without any presenters at all. What is interesting about "Match of the Day" or rather the Premier League is that roughly two-thirds of the audiences for Premier League football are through free-to-air, through the BBC, through things like "Match of the Day", and Gary plays a very big part in that. You know, as I do, that sports presentation is a very different part of the market. People are paid a lot of money—



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they are paid much, much more than that by BT, by Sky and so on, but that of course is different to public service. Gary does a great job for the BBC.

We have also been recognising where the market does not play so much of an impact on news presenters and current affairs. That is, for example, where the pay for our presenters has gone down, notwithstanding the fact we have also lost some people.

Q175 Philip Davies: Are you suggesting that in the whole of the BBC with all the presenters it has and all the rest of it, you have nobody who could do a job as well as Gary Lineker in presenting that programme, at a much lower cost, given that he is not a presenter but a former professional footballer? Are you saying that there is not the talent in the BBC to do that job just as well, keeping the same audience members, at a cheaper cost?

Lord Hall: I am saying that I think Gary does an extremely good job for us. Over the last year, the amount that we are spending on presenters has come down by 1% as a total of our content budget, and overall it is 0.5% of the total BBC budget. We want presenters who connect with audiences, and he does.

Q176 Philip Davies: Is it still your target to increase BAME leadership from 11.5% to 15% within a year?

Lord Hall: I hope by the end of next year we can improve on the number of BAME people in leadership roles, and it was great to celebrate Mohit as a controller of Radio Four on a board I sat on last week. That is my aim. I think it is really important from the point of view of the future of the BBC that we get diversity right in leadership, because that colours the way the organisation thinks.

By the way, we are doing really well on presentation, where 20% of those over £150,000 are BAME people, and they are really good, too.

Q177 Philip Davies: How are you achieving it?

Lord Hall: Three ways. One is we are putting a lot of effort into leadership. One of the things that I set out at the beginning of the year that I want to change—I think this Committee has probably heard this before—is the culture of the BBC. I really feel very strongly that what we need to offer against the big SVODs is a culture where people feel they can give us their best. We have, therefore, put a huge amount of stress on leadership and training up the next generation of leadership people. BAME candidates have been a really important part of that leadership training. That is one thing.

The second thing is that we have also set ourselves a target of two people on both divisional boards and the executive board that I run by the end of next year. I hope we can get there, but these are targets to



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say we really mean business. We want to change the nature of the leadership of the BBC and the culture of the BBC.

Q178 **Philip Davies:** Is there any positive discrimination involved in this or positive action or anything like that?

Lord Hall: No. We are doing things absolutely properly within the law, of course we are, but I want a BBC that represents the communities we serve. By the way, that is not just in terms of BAME. It is also in terms of disability, gender, and social background as well.

Q179 **Philip Davies:** When are we likely to see somebody from a BAME background doing your job?

Lord Hall: You had better take a judgment on that.

Q180 **Philip Davies:** Do you just want other people to give up their roles for BAME but you do not want to do it yourself?

Lord Hall: I will not go into the ups and downs of my job, Mr Davies, but I really want there to be good BAME people on the executive board of the BBC. I want an executive board in the future that represents the communities we are seeking to serve.

Q181 **Philip Davies:** Finally, I think the last time I was on the Committee, one of the last sessions I did, I complained to you about how you just gave your mate, James Purnell, a job without any proper process and no advertising. Has that practice now ended at the BBC—that you just ring your mates to give them jobs?

Lord Hall: Yes, I remember that exchange extremely well. As I just said to you, we have had a very interesting interview panel for the Radio Four controller. Really strong people, internal candidates too taking part, and I think we have made an inspired choice.

Q182 **Philip Davies:** So that practice does not operate any longer?

Lord Hall: It never operated on any large scale at all, to be honest with you.

Q183 **Philip Davies:** Large scale, no.

Lord Hall: Here we go again. No, on this case, absolutely I want to see competition. Of course I do.

Q184 **Simon Hart:** Before I ask the question, can I urge you not to be too drawn into being battered by populist nonsense about presenters' levels of pay? This leads to my question. Is there a magic figure among your viewers above which they think somebody is paid an unacceptably vulgar amount and below which they think they are working hard for the BBC and providing value for money? If there is such a figure, we would be interested to know it. My guess is there is not one, because everybody has a slightly different view about what is acceptable and what is not.



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Lord Hall: I am with you. No, we do not have a figure. Everybody has different views. When you ask people, "Which bits of the BBC would you want to cut or don't you like?" you get all sorts of different answers. People love various bits of the BBC and do not like others. That is life.

Clare Sumner: We did do a piece of research with audiences, which we can send to you, which showed that four out of five people felt that they wanted top talent on the BBC. What we do have is evidence that people want to see a range of new but also established and, if I may say so to Mr Davies, expert presenters. We do not just have Gary Lineker. We have Sue Barker. We have other people who have played a fundamental role in the country's sport. Audiences tend to really like that. We do not have an answer, I think, to your specific question.

Q185 **Simon Hart:** I am pleased to hear it, in a way. From me, I would imagine your assessment would be based on value, competence and expertise, not on some arbitrary, populist—

Lord Hall: Yes, that is right.

Clare Sumner: Also audience enjoyment.

Simon Hart: Unlike my colleague, Philip Davies, I am not a football fan at all, but because of that I value Gary Lineker because he interprets in a way that I can understand, lacking the knowledge of my colleague to the right. Thank you very much.

Q186 **Chair:** A few final questions. Just on audiences, I love the cover of the annual report. It is by far the best. In the nine years I have been reading the BBC's annual report, it is definitely the best one that I have seen. For the benefit of Hansard, it is a picture of Phoebe Waller-Bridge in "Fleabag". Apart from being a brilliant image of a very creative, talented person in a great programme, it also masks a kind of hidden story within, which is, despite the success of some programmes, there is still a continuing audience shift towards older viewers. I believe that over half of viewers of BBC One and Two are in the 54-plus category now, and those trends are continuing. I just wanted to ask in the relatively short time we have in this bit of the session, how confident are you that you can start to turn these numbers around and see more younger people watching television?

Lord Hall: I think that is a great question and thank you for what you say about the cover.

First, this depends on quality of programmes. At the core of it, the fact is we have won 184 awards this year, not just for Phoebe's programmes but for others, and we are now contenders for two Emmys as well. I think it is about programming. The fact that women's football is something we have majored on: you see there both younger audiences and more general audiences coming in. I want more of that. The fact is we have, likewise, cricket coming back next year again. Our aim there, working with the ECB on this new tournament, is to target younger audiences and



more diverse audiences. I think that also is really important. By the way, the weekend tells you the power of free-to-air versus subscription. If you want to grow audiences, you go free to air. It is worth looking at the particular lists and so on and opening that up again because there is an issue around that. It is about quality of output first.

Secondly, online reach is up. iPlayer is absolutely the gateway to the future. That really matters. I am glad that after years of delay we can now—some of the figures for iPlayer in there show a stalling. The number of usages we have of iPlayer is going up, but we are not growing the audience enough. What has just happened with Ofcom, which now I think is allowing us to go ahead and make iPlayer a destination with content up to a year and more content beyond that, is really, really important.

Sounds. People have said, “Is this really what you should be doing?” Of course it is. It is absolutely vital. That is the future of audio, in which we are an important player.

Beyond that—I am trying to keep it quite tight—the fact is that 75% or 74% of schoolkids use Bitesize. We have revamped Bitesize. We think Bitesize can be the gateway into more of our services. The fact is that we have put £34 million over three years into children’s services. I was in the Commons last week to launch an app we are doing to protect children and give them protection. Again, that is important for the future.

What I am trying to say, Chair, is that on a raft of things, starting with quality content that resonates, as Phoebe’s did with “Fleabag” too, through to beginning with children, that is the security for the future of the BBC. If I have any worry, it is about the pace of the change that we need to be making. I want these things to happen quickly. Of course, things like Ofcom stopping us with iPlayer for a year gets in the way.

Q187 Chair: The pace of change of viewing habits is dramatic, particularly to younger audiences watching online services. Do you think the BBC has got BBC Three right? I notice in the Ofcom report published last year, reviewing your previous year, they noted that only 8% of young people watch it each week. This is a channel aimed at younger people, and I remember when it was previously discussed why it was shifting online, the idea was that that is where younger people watch television, but they do not seem to be watching BBC Three.

Lord Hall: Another great question. First, creatively, BBC Three is on fantastic form. It is doing some really good programmes, not just the comedy or the dramas but also the documentaries and shorts. It really is delivering. We have started on BBC One as BBC Three’s zone to drive, we hope, audiences to BBC Three. We are looking at ways actively now of promoting BBC Three on iPlayer so that, again, with recognising who is using iPlayer, you would get more BBC Three material.

We are learning that you need to use your linear channels, which, however they may decline, are nonetheless a very good gateway to



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taking people into the online, on-demand world, and I would expect to see more of that. That is what we are trying to do with BBC Three.

Q188 Chair: Just finally from me, my slight concern is that the overall figures are quite alarming, not just for the BBC but for all broadcasters, about the declining younger audiences. I would be fascinated to know what those numbers look like if you take out sport and certain other live events—Royal weddings and things—which bring in very big audiences, and whether for the traditional peak audience it is an even bigger shift than it looks.

Lord Hall: Yes. One bit I have not mentioned is the importance of sport, but the other thing I have not mentioned is the importance of news. I think roughly seven out of 10 young adults use us as their news source, not always as the primary source but as the source they go to to find out whether something is right or not. We are looking to again enhance and change how we deliver our online news services to build up that audience because I think that is really important.

Q189 Chair: I would be interested to know what the average age profile for viewers on BBC One and Two is outside of news and sport. I agree with you that those things bring in audiences with younger people, but without that my concern is that the current figures, which represent a significant challenge, could be even more challenging.

Lord Hall: Again, to answer your question, programmes like “Blue Planet 2” absolutely resonated and, for its slot, beat strong competition on ITV with younger audiences. I think that is partly because it is a programme with a kind of message, well put, with which younger people could resonate. I go back to the nature of our programming. What we are offering is part of the equation to stop the decline in audiences.

Q190 Ian C. Lucas: Just picking up on the news point, I attended a very interesting discussion yesterday evening with the Demos Think Tank about trust in news and the importance of creating it. What was interesting was that in the body of the discussion, unfortunately the BBC did not come up in terms of a forum that was commonly thought to be needed to create intelligent, impartial debate and to move away from the echo chambers that we are currently seeing in politics. Do you think that you are doing enough to create an impartial forum, which I think should be the core of your news work?

Lord Hall: This is going to sound pompous, and I really do not mean it to sound pompous. One of the reasons why I think there is a bigger role for the BBC now than at almost any other time is because impartiality matters. The word you used, Mr Lucas, which is “trust”, also matters. Where do you go in a world of fake news or misinformation? Where do you go to, not just in this country, but globally?

We did an amazing job in the Indian elections with money that we got from George Osborne to expand what we do in Delhi in terms of calling out fake news there. A brilliant job was done by the teams. Coming back



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to this country, we want to build as a trusted source of news in this country. If I am echoing what you are saying in a way, I think background and context, the “why” and not just the “what”, really, really matters. That is why we have introduced a number of things like Reality Check and so on to try to give people the “why” and not just the “what”.

Q191 **Ian C. Lucas:** Do you think you are achieving that? The reason I made that point was I am not sure.

Lord Hall: I think there is always more to do, and your question is a good prod to us to make sure that is what we are delivering.

The second thing I want our news to deliver is also more local. Our Local Democracy Reporting Scheme with 150 journalists is uncovering new stories. It is an amazing work that we in collaboration are doing with the local press. As commercial local radio pulls out of local markets and so does the press constrain itself, it is a really important role and we have to ensure that local democracy is working well.

Q192 **Chair:** On local democracy, I appreciate that budgets are tight in the regions, but do you think it is sustainable, in a world of fast-moving news, that most of the regional Sunday politics shows are recorded on a Friday? In this day and age, a lot happens between Friday and Sunday morning. Credit to the journalists who do a great job producing those programmes. Do you think it would be better if the budget was there to make them on Sundays?

Lord Hall: It will be if there is an emergency. If something happens that changes, we do do some programmes then. We will redo them live. The question that I am now addressing with the news teams is how we ensure that our coverage in September-October, when Parliament comes back with a new Government, matches the challenges of that.

Q193 **Chair:** Subject to the funds being available, do you think those format shows on Sunday mornings should go back to being live in the regions?

Lord Hall: I do not necessarily think that. If there is a need because a story has moved or changed or something is happening then, that is right. If not, I think recording is fine.

Q194 **Chair:** That is the trouble. As you know as well as anyone else, breaking news on Sunday is quite a normal part of the routine.

Lord Hall: Yes, and a lot of that is to do with Andrew Marr and the excellent programme he runs on Sunday morning, for which we are really grateful.

Q195 **Brendan O’Hara:** I would be interested in your assessment of the first year of the new BBC Scotland channel and how you think it has gone. Are you happy with the figures and the reach that it has achieved?

Lord Hall: I am pleased with it. For it to be the number one digital channel in Scotland after the big bruisers of BBC, ITV and so on is an



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impressive achievement. A 3% share or thereabouts is an impressive achievement. I watch it a fair bit—as much as I can.

I am also seeing something that the quantitative measures never tell you about, and those are the qualitative things, like finding new talent and new programme formats. I have been really impressed. My latest find is “The Farm”. For those who do not watch it, it is a Perthshire farmer who has a real comic streak, and it is really, really good. He would not have found a space anywhere before BBC Scotland was set up. As an additional channel for Scotland, I think it is doing really well and I think they have made a really, really good start. You probably watch it a great deal and have some thoughtful points to make.

Q196 Brendan O’Hara: I agree with you about the quality and I am delighted about that. I am frankly astonished at the quality, given the battle we had last year about funding, and I am sure that is something that we will return to over the years. They really are doing an incredible job on a shoestring budget.

My concern would be—and you can see this already with elements of the press in Scotland, perhaps predictably egged on by the cheerleaders who have this channel in their sights over audience share and reach—how secure is this channel? What guarantees can you give this channel, looking to the future?

Lord Hall: It is secure. I think it is doing a great job. The team has done an amazing job with the resources it has. I am really glad that we are in agreement. What they are doing creatively and the people they are finding and the programmes they are finding are remarkable. By the way, I include “The Nine” in that. It is a really good news programme. I am a big fan and supporter.

Q197 Brendan O’Hara: We will continue to cross swords in terms of the budget and finances, I absolutely guarantee you that. To the delight of many on this Committee, high-end drama production has moved to Wales. What is BBC doing to assist the develop of high-end drama in Scotland?

Lord Hall: We have a commissioner who is working with BBC Scotland. I think we are making commitments beyond the very excellent “Shetland” and other things that we are doing. We are taking very seriously the growth of the creative economy in Scotland and our role in that. BBC Scotland is helping that, too.

Q198 Brendan O’Hara: Finally, Donalda MacKinnon floated a really interesting idea about a second radio service for Scotland. At the moment Radio Scotland tries to be all things to all people, and there just is not enough room on the shelf for everything that it wants to do. Her idea was that there would be a new sports speech-based channel, and on another channel music, culture, arts. What are your thoughts on that idea? I think it is a really interesting idea. Is it a goer?



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Lord Hall: It is a really interesting idea. Donalda is a great creative leader. She always has good ideas and indeed has been doing all of our work on gender and pushing us on the sort of employer we are for women. She is doing more than the day job, as it were. It is a really interesting idea. My focus and her focus and Kenny MacQuarrie's this year, and I suspect for next year as well, is on making sure BBC Scotland is in fine shape. In my view, it is.

Chair: Thank you very much. That concludes the questions we have on the annual report. We will take a short break, and I appreciate Lord Hall might want to take a short break, and then we will have a short final section on reality television.

Examination of witnesses

Lord Tony Hall, Director General, BBC; David Jordan, Director, Editorial Policy and Standards, BBC; Patrick Holland, Controller of BBC Two, BBC.

Q199 **Chair:** Thank you. I would like to call the meeting back to order. For this final part of the evidence session we will be focused on subjects related to the Committee's inquiry on reality television.

If I could start off perhaps with David Jordan. The written evidence that the BBC has submitted to the inquiry states that the BBC editorial guidelines go further than the Ofcom code in terms of safeguarding the duty of care of participants and setting standards for programme makers. I would be interested to know why that is the case. Is it just the editorial guidelines the BBC has developed independently, or do you feel the Ofcom code is deficient in some way?

David Jordan: The BBC's editorial guidelines go beyond the Ofcom code in a number of ways. The BBC produced its editorial guidelines in 1989 for the first time, and at that time it was based on what you might call the collective wisdom of programme makers in the BBC through the decades. It reflected what programmes did all across the BBC, brought together into one code, at that time called the producer's guidelines. It has always been slightly different.

When Ofcom came along, the guidelines were devised in a way that incorporated the Ofcom code, but those parts of what we do that went beyond the Ofcom code were retained. For example, we have always applied impartiality to all of our output, not just to news and current affairs, as the Ofcom code does. For example, due impartiality is one aspect.

In relation to this particular issue we took a broader view of the duty of care than the Ofcom code does, as Ofcom's evidence to you will indicate.



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Ofcom is quite constrained in this area in the sense that it has a duty of care that applies to children, and to children and output, and a duty of care that applies to vulnerable people. We go beyond that, and in fact we have codified that to an even greater extent in the most recent addition to the editorial guidelines, which came into effect on Monday. We are now talking about due care to all contributors to BBC output, which takes into that the situations that led to your inquiry, ie in relation to "The Jeremy Kyle Show" and to other reality and so-called reality television programmes. We would cover that automatically, as you know.

Ofcom is now looking at whether it should change its code to be able to do the same, which it does not cover at the present time. It does not cover the general participation of adults in programmes that are governed by the Ofcom code.

Q200 Chair: Yes. There seems to be at Ofcom a general presumption that adults are consenting and, therefore, whatever they sign up to, that is okay.

David Jordan: That is absolutely right: that adults are capable of making decisions for themselves and, therefore, whatever trouble they get themselves into is on their own account, whereas children and vulnerable people need special protections. Ofcom in its consultation, which was announced a month or so ago, is going to re-look at that.

One of the things it can take into account when it does that is the new paragraph in our own editorial guidelines, which talks about due care to all of our contributors.

Q201 Chair: How do you ensure that the editorial guidelines are enforced, particularly where you are working with independent production companies?

David Jordan: The independent production companies have in their contracts a stipulation that their programmes must be made in accordance with the editorial guidelines, just as programme and content makers throughout the BBC have in their contracts the same stipulation. Independent contractors are held to account.

There is a process that they go through, as indeed all programme makers go through when they are making a programme for the BBC. At the outset, the commissioning editor, whether the programme is being made in-house, independently or by BBC Studios, will have a conversation in which there is a so-called compliance conversation—it was introduced some years ago—in which they will talk about, "What are the issues that may come up in this programme that need to be carefully thought about and need to be managed?" Those could be any kinds of issues. They could be legal issues. They could be health and safety risks. They could be all kinds of things. They include, "Do we have vulnerable contributors or are our contributors or our contestants or others likely to be made vulnerable through participation in this programme?" They are obliged to



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consider that at that time and to go on considering it through the course of making the programme.

At the end we have a compliance process that involves filling in a form for pre-recorded programmes and submitting that through our systems. Those programmes that have had to have risks like that managed come on to something called our managed programme risk list, which we assess every month at a Committee that I chair called the Editorial Standards Committee. We have a way of keeping a check on the sorts of programmes that may have issues and that we may need to manage.

Q202 Chair: For a show like “The Jeremy Kyle Show”, where the lie detector test, as we discussed at length with ITV, is part of the show, at the BBC would there be a discussion at the format stage of the commissioning of that programme as to, “How is this test going to work? How will it be used? How accurate is it?” That sort of thing.

David Jordan: Absolutely right. When we start up a new series or a new series of programmes, we will have long discussions about what the issues are likely to be with that programme. That is where my team and I get involved, usually at the outset of a series, although we will go back from time to time. In helping to draw up the right protocols, it will make people think about the right issues and then apply our editorial guidelines to whatever solutions are applicable. That is why so many of these shows, as you have seen from asking for evidence from them, both in the independent sector and elsewhere, have these very extensive protocols now about how they will deal with participants in their programmes, which are, I think you will agree, quite detailed. A lot of those are based on the sorts of precepts that originated in the BBC under editorial guidelines that came from conversations and advice from my advisers.

Q203 Chair: Obviously you have stipulations that qualified medical professionals are there if they are required to give support to people participating in shows. Again, how do you make sure, if it is an independent production company, that they are engaging people with the appropriate qualifications, and that people are being supported in their work correctly in the workplace?

David Jordan: Part of the advice given will be that for certain sorts of programmes, but not all programmes, people need to be assessed in a variety of ways to make sure that they are capable of taking part in a programme, and that taking part in a programme will not be to their detriment rather than to their advantage.

One of the assessments that has to be made, particularly in this modern era of social media and all of the pressures that generates, is to make sure that people are capable of withstanding those kinds of pressures and they understand that, for example, their own lives may be raked over in the media and on social media and elsewhere. Things may be brought up that were perhaps far in the past, which they do not wish to be reminded



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of. Those kinds of issues need to be discussed with all of the individuals who take part in programmes.

A very extensive process is gone through before the highest profile and most challenging programmes in which people are talked to about the issues that they may have. They fill in a form to give an indication of what sort of person they are, and they talk to a psychologist or a psychiatrist or somebody with the correct qualifications to talk to them, who will then report back to the programme about whether or not in their opinion these people are capable of withstanding the kinds of pressures that are part of any programme that is shown on television to a big audience. Then those assessments are made by the programme team as to whether those people are suitable. That is what happens at the initial stages. There are then further stages if you go through the programme and you go through to the actual transmission, and then there is the aftercare process to make sure that people are looked after right through the entire process.

Q204 Chair: Have there ever been shows where there have been concerns about the way it has been made or about the concept itself, where as a consequence it has been escalated within the BBC or even to the Director General as editor-in-chief because of concerns about the format and the way the show works?

David Jordan: The Director General may recall one. I do not recall a case getting up as far as the Director General for a decision. I think that the decisions are made lower down in the organisation about what kind of show is appropriate for the BBC, and we take a very careful look at that.

Patrick can probably add more to this because he commissions a lot of these things. We tend to favour programmes that are positive in their effect on people and their outlook, so we tend not to favour programmes that are designed to create conflict. Not competition, because competition is inevitable in some of the programmes that we have, but to create conflict and to thrive on that conflict. We would rather do programmes that essentially are affirmative and optimistic and show people improving and doing well, and act as incentives for other people to get involved in the kind of activity that they are involved in.

A lot of the programmes that we produce—and Patrick knows more about this than I do—are very, very successful at engendering interest in the subjects that they tackle. “The Great British Sewing Bee”, for example, which you may be aware of, which is fantastic, has apparently increased the number of sales of sewing machines by an exponential number. That is a typical—

Patrick Holland: Every time there is a sewing bee, there is a spike in the number of sewing machines.

David Jordan: Singer or whoever it is has a great debt to the BBC. That is, as far as we are concerned, a good outcome to these kinds of



programmes that are getting people interested. The point of doing the programmes in the way that we do them and this accessible format is to try to engender interest in the subject matter and to give an accessible way of people getting into those kinds of activities.

Patrick Holland: One thing that is absolutely at the centre of any programme that starts to be developed, and the two questions we would always ask are, “Who are the contributors, and are they going to benefit? This cannot be to the detriment of these contributors”. The second thing is, “What is the purpose?” That can sound like a worthy aspiration, but the constructed factual shows that have developed on BBC Two on the BBC over the last years have always had a great sense of purpose at their core. “Bake Off” started on BBC Two. “The Great British Sewing Bee”, as David said, began on BBC Two.

“Race Across the World” is a new format that has launched on BBC Two. When that idea first came to us, the question was, “Why would we do a programme that is a race format? Why is that something?” The way in which the editorial was described was that this was a challenge show, but it was a show that challenged us not to use our mobile phones, not to fly in planes, to try to use our wits, to try to use our interaction with people along the way, to see the sorts of skills we might have as travellers trying to get from A to B that might have been forgotten over the last 20 years when there is more and more trans-Atlantic or global traffic, or where there is that expectation that we just arrive at destinations rather than understand what it might be like to travel to. Therefore a show like that starts to get developed. At BBC Two, rather than trying to think who we would put into that programme, and who might look a fool or come unstuck as a result of it, the question we ask is: how is the audience going to understand what the challenges of travel are? We want to see people who have skills and who have different ways of overcoming some of the natural obstacles they would have as they travel from London to Singapore in that particular format.

Similarly with “The Great British Sewing Bee”. When an idea is developed like “The Great British Sewing Bee” you want contributors to come to that process who are skilled sewers, because otherwise the audience is not going to benefit and the individuals concerned are not going to benefit. There is a natural coming together of purpose, entertainment and insight that all cut to our core values.

Q205 **Chair:** Finally from me, one thing that is apparent to us is that reality shows have common traits, their stars are members of the public on the whole, but they are very different in their scope.

As much as I love it, I would say probably “The Apprentice” is very much an entertainment programme—certainly in the early rounds where conflict is quite a part of it. How do you make sure that the right line is trod between having a show that is based on a competition format, where the contestants are competing against each other for a prize, and an entertainment programme where the entertainment comes from the



contestants, and not always in ways they would like? How do you make sure the programme makers get that balance right between creating a show people enjoy watching and making sure that some people are not being portrayed in a ridiculous way in order to make it entertaining?

Patrick Holland: “The Apprentice” started on BBC Two 15 years ago. There was a combination of purpose with trying to find people who have terrific business skills to succeed, initially it was to get a job with Sir Alan Sugar—as he was, Lord Sugar now—and subsequently it became an investment opportunity. In terms of the contributors who come to the programme, if they are not people who are going to succeed in business and have the skills to become successful entrepreneurs then that is a bit of a barrier to entry. The first thing in terms of business credibility or business aspiration is so important. The individuals have to have that level of skill, belief, interest and excitement. Also you are looking for individuals who are willing to share what they are thinking, not people who are very private, or reserved individuals who are not going to take part in group activities and who do not understand the dynamic of the team. As you suggest, as the series develops it is always the team ethic that takes over. It is the individuals who are able to operate within a team and galvanise that team to shared goals are the ones that thrive. That has to be at the heart of the process when contributors are selected. However, obviously you want contributors who are going to be enjoyable to watch so you want to find individuals who have the personality and the desire to succeed.

Lord Hall: I remember visiting “Bake Off” before it departed our shores, the cause and effect was not there. What really struck me when talking to the team was how the people who were taking part in “Bake Off” were there first because they loved baking and, secondly, because it was on TV. I think that sort of equation is really important in deciding how these programmes work.

David Jordan: I know it is an entertaining programme but do not underestimate the serious outcomes that occur as a result of that programme—

Chair: Indeed, Katie Hopkins being one.

David Jordan: —in terms of people doing incredibly well subsequently out of having been on it. I think I am right in saying the first one of them to have £1 million turnover in their business happened just the other day. They go on to become serious entrepreneurs in many cases so it does have a serious business purpose by identifying people who are likely to succeed, as well as obviously being an entertaining programme to watch.

Q206 **Brendan O'Hara:** On the way “The Apprentice” has shifted that business credibility, 15 years ago any one of the 15 could have emerged and it was a genuine competition. Now when watching “The Apprentice” you get the impression people have been specially selected for their large personalities rather than their business acumen. Is that a deliberate shift



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or is that a consumer-led shift? You cannot really argue the criteria that applied 15 years ago is the one that applies now.

Patrick Holland: I think the world has changed a lot in 15 years. The desire for young people to become entrepreneurs has increased exponentially over that amount of time, so there are individuals for whom maybe 15 years ago the only pathway into business would be seen to be a straight office job and to work your way through.

I do not look after "The Apprentice", it is on BBC One rather than Two so I do not have the specifics of individual candidates.

Q207 **Brendan O'Hara:** You take the point though that there are contestants in "The Apprentice"—it is like on "Love Island" that can count—

Patrick Holland: I hope so.

Brendan O'Hara: No offence to people on "Love Island" who think nothing of parading about. How they find the time to become entrepreneurs when they clearly spend half their life in the gym I do not know.

The point I am making is that it has become more of personalities, it has become more of that, "Tune in to see what so-and-so does outrageous next week" rather than what it was at the beginning. Is that change producer led or consumer led?

Patrick Holland: I am not sure if I agree there has been that seismic change. There was a series a few years ago where Ricky Martin won the series. He was someone who wrestled in his spare time, which one would think detracted from his credibility. He went on to win "The Apprentice" and now David has just mentioned his business as a recruitment consultant.

"The Apprentice" is at its very best when an individual comes into it and learns through the process because the audience loves seeing that learning and loves seeing those individuals grow and learn. All ages can apply to be in the show but there are lots of young aspiring entrepreneurs who want to be on the show.

I think the world has changed quite a bit in those 15 years in terms of what people value regarding body image, the money they spend on clothes and, as we all know from social media, what body image and self-image mean. I do think that has factored into the individuals who apply to be on the show.

Q208 **Julian Knight:** I once met the President of Mongolia and he was a wrestler.

David Jordan, clarify for me please what the Chair asked you before about when you start discussing putting systems in place for ensuring good duty of care, is it the genesis of the idea, is it in production or is it post production? Is your way of doing things the norm across the



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industry?

David Jordan: It is difficult for me to answer the second part of that question because I do not have total sight of what everybody else does.

Julian Knight: I will put that to Mr Holland and Lord Hall.

David Jordan: You will probably learn more from the other witnesses you are taking about what happens in the rest of the industry.

However, looking at the protocols in independent companies that work for the BBC it is clear a lot has been learned out of the sessions I was talking about in discussing programmes at their outset. The answer to the first part of your question is yes, the discussions take place at the outset but after the idea has been formed, probably after it has been commissioned by someone like Patrick or is at least being considered for commissioning, so it is a serious candidate. You would have the conversations at that stage about what the implications might be for the kinds of people you want to take part. That is when you would think about all the potential issues and potential problems that might occur and set up systems to deal with them. That is where all the protocols originate from.

Q209 **Julian Knight:** I will go on to the second part of the question but I just want to follow up for a second. Effectively this is when you have the serious candidates. At that point do you think about things like, for example, whether or not there needs to be psychiatric support and that sort of thing? We had the psychologist involved with "The Jeremy Kyle Show" in, who was very affable but clearly quite clueless when it came to how the show was really operating. How do you verify qualifications? How do you ensure that those who are working on the programmes are the right staff?

David Jordan: We have an in-house qualified psychologist who works for the safety, security and resilience team in the BBC, which deals with a whole lot of issues ranging from sending people to conflict zones through to these kinds of things. She vets the qualifications of all the people we have approved to be psych help in any of these programmes, and keeps a list of those we have approved so that programmes can get access to them. We have a qualified professional looking at the qualifications of other qualified professionals, and not just their qualifications but also the experience that they have across the industry, what they have done elsewhere and what experience they can bring to bear. Some of the people we use on some of our shows have done literally dozens and dozens of programmes and have built up a huge body of knowledge over that time regarding the issues that they might confront. Clearly the more you have done it the more likely you are to be able to offer assistance and help to anybody who is going through difficult situations linked to the programme they have appeared on, and to offer the right kind of advice about how to cope with them. Therefore we have experienced people who are vetted by our in-house team to make sure they qualified to do the job.



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Q210 Julian Knight: How much power do you actually have when ideas, treatments, come in front of you at this stage as serious candidates as you describe them? Can you say, "Oh my goodness, red light here, this really is something that is frankly too awful to put on air" and have you actually done that?

David Jordan: I have on occasion gone to the Director General and said, "I do not think this is something the BBC should be doing". It is rare for me to have to go to the Director General to do that. Usually if I come along and say to a senior executive in commissioning that I think this programme certainly cannot be doable in the form that has been suggested they try to offer creative solutions that will allow it to be done in some other way. If I go along and say that to a senior executive they are going to take it very, very seriously and it is rare for them not to agree with what I say in those circumstances. I have to say that does not happen very often. It is a rare occurrence but people do take it very seriously. I report directly to the Director General and they know that I speak with his authority.

Q211 Julian Knight: Is there a sharp difference between production you are buying in and production that is more centralised?

David Jordan: I am not sure I know what you are getting at.

Julian Knight: Some of the issues that obviously the BBC has had in the past have been to do with programmes that are effectively brought in.

David Jordan: Yes.

Julian Knight: Is that more problematic for you in this space?

David Jordan: The biggest problem in my job is the "Donald Rumsfeld problem", which is the unknown unknowns as it were. That is always an issue. It is much easier to make sure the things we talk about, work through and decide in advance go correctly than things that are happening that you do not know about.

Q212 Julian Knight: Mr Holland, returning to the second part of the first question, are these things normal across the industry? You will have scope regarding what actually goes on with competitors across the TV industry. Is it normal to have this level of early engagement in duty of care?

Patrick Holland: It is a long time since I made a programme for ITV or Channel 4. What I would say about the BBC is that those duty of care conversations are not added on. They are not conversations that you think, "I better have the duty of care conversation because we have not had it". When you are commissioning a programme and potentially vulnerable contributors are going to be involved in that programme, one of the first questions we would ask at BBC Two—at the genre level as well, given that the Controller of Factual would ask the same questions—would be, "Have we spoken to Editorial Policy, have we spoken to someone in David's team about that programme?" That is not because



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they are the police but because they are fantastic advisers about what the challenges are.

To take an example, there was a programme last year called “We Are British Jews”. The idea that was pitched to us was what were the major questions facing British people who are of Jewish descent, whether practising Jews or secular Jews, in terms of the twin massive debates about the rise of anti-Semitism and what is happening in Israel in the occupied territories. That is a very powerful idea and it raises a huge number of problems. If you were to see those issues from the point of view of an ordinary person, an audience member coming in and being involved in that programme—it presents huge challenges.

There is advice from David’s team in terms of, “What are the protocols? What are the conversations that we are having with those individuals? What will the social media response potentially be? How will that individual or group of individuals be managed through the filming process, which could be quite distressing, and through the production process where family friends and other people might start raising questions about their involvement? How do we deal with the press involvement as it builds towards transmission? How do the social media team involve themselves in terms of the response?” Therefore there is editorial advice that is baked into a protocol across that whole production that takes you to transmission and beyond. We are seeing social media response to benign programmes like “University Challenge” that is extraordinary in comparison with what was happening five years ago.

There is that ongoing duty of care. Duty of care is not a box to tick, it is a process that begins with the commission of the programme and does not end. There are programmes still on iPlayer where commissioning editors are in contact with executive producers at production companies about individuals, whether that programme is still okay to keep on iPlayer and the contributors are still happy with that programme on iPlayer. That happens all the time because once you enter into those partnerships with contributors it is an ongoing relationship.

Q213 Julian Knight: It is a really interesting point. You mentioned “University Challenge”. For a lot of young people that sort of thing looks like great fun but there is an awful lot of social media maelstrom around it sometimes if someone messes up a question or a team underperforms with the brutality of some of the language you find on social media. Do we have a real scope? We know “The Jeremy Kyle Show” is quite obviously reality TV and “The Apprentice” is quite obviously reality TV. Are we missing a point here, which is that reality TV has a lot broader scope than we would think? Would you, for instance, think in terms of news rated or current affairs as well having a reality TV aspect to it and needing that same duty of care? Where does the line start and where does it stop?

David Jordan: Reality TV has always been an ironic title on some programmes because the reality TV programmes in the pure sense are



not reality, they are constructed reality or reality that is interfered with. They are not actually reality so they cannot be compared with an observational documentary or a piece of news. Obviously all television is to some extent a construct, whatever it is. However, reality TV shows have a very, very highly constructed aspect to them that is not found in news. They are not attempting to depict reality, they are attempting to heighten reality or to do other things to it rather than to depict reality itself. Therefore I think it is very, very different from making news, making current affairs and making those sorts of factual programmes. Certainly I do not think observational documentaries and all of those kinds of things come anywhere near.

There is an issue about where precisely the end of reality television is that is in relation to the kinds of programmes that Patrick was just talking about and that we mentioned in our submission that are kind of immersive programmes, as we call them. That is a perfectly legitimate question: does it extend into that territory? I would not personally say it extends into competitions and the like because they are a pretty well-defined different kind of programme. It would be an interesting question as to what extent "The Apprentice" is constructed. I would make the construction of it the key issue if I was looking at it from your perspective.

Q214 Julian Knight: Are we in danger of broadening the scope of reality TV to such an extent that it will include "University Challenge", "Race Across the World", "The Family Brain Games" and those sorts of programmes? They have a strong aspect of reality within them and interaction. Does that mean they need that same duty of care? Do they need those systems in place and the same sort of route map, or do we just say, "We will keep this all just for these particular programmes 'The Apprentice' and so on, these are basically sort of gameshows" and off you go?

Patrick Holland: From a programme making and commissioning point of view I think where members of the public, the audience, are involved in that programme—whether it is something that is a quiz or whether it is something that is a really involved piece of factual entertainment like "The Apprentice"—our duty of care is to all contributors. What the protocol is for each of those individual programmes is obviously different.

With "University Challenge" what has changed is that the conversation with potential contestants about what could happen is a formal conversation now. That did not happen five or 10 years ago because the social media response to a quiz featuring young people celebrating their knowledge was not quite so poisonous as sometimes it is today. The contributors to that programme need to be alerted to that. However, there are not some of the other issues that might turn up in a programme like "We Are British Jews" that is far more involved, far more nuanced and throws up lots and lots of other questions. We, as commissioners, develop protocols that are very different and nuanced for the different shows that we commission.



Q215 Julian Knight: One final question, if I may, to Lord Hall for a top-down viewpoint if you like about the BBC and how it interacts in this space over reality TV. Let us have a look at one programme on Channel 5, "Can't Pay? We'll Take It Away!" Is that something you would never see on the BBC? Where is the BBC in terms of its values and in terms of being able to effectively sort of draw a line over the lengths reality TV goes to?

Lord Hall: I think that is a really good question and it is a difficult question. To my mind it goes back to what both David and Patrick have been talking about, which is what is the purpose. I think what is the purpose of the programme is a question that we in the BBC should keep asking. The second part of that is: how do we use the people within that programme in an affirmative, not cynical, way? I would approach most questions of what is a BBC programme by saying, "Where does it start? What is its starting off point? We are not doing something to poke fun at people or whatever it happens to be. This has a very clear purpose and we are going to treat people properly."

That is why the second point I made before, deciding on whether I thought a programme was a BBC programme or not, goes back to what I think does differentiate the BBC, which is the amount of care and thought that goes into every stage of the process from the commission right the way through to transmission and even beyond that, as you have been hearing, if something then is sitting on iPlayer. The guidelines just published are there, that thick, multi-coloured book. Your point to Patrick was: what does the rest of the industry look like? What is really interesting in talking to other European broadcasters in the EBU is how many others look to that as, "Okay, we will build our equality standards on that". That is really interesting and is very flattering to the work that David and his team do.

Chair: I am pleased to say that when I was on "University Challenge" social media was not something we had to worry about that much.

Q216 Philip Davies: Would you mind if I just asked a follow up on Julian's question? Just a quick one because I thought it was a really interesting question. I wondered if there were any examples of programmes that were touted to you, which you rejected on the grounds you did not think they were acceptable, but that ended up on another channel somewhere. If that happened, do you have any examples of that?

Lord Hall: I cannot think of anything that I have been told about, can you?

Patrick Holland: There are examples but I am not sure whether we can say them without damaging the—

Philip Davies: You could always write to us.

Patrick Holland: We could write to you, there are some examples.



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David Jordan: There are some examples, quite contemporary, which illustrate the difference between our approach and other approaches.

Chair: That will be very interesting, even if it was on a confidential basis. Thank you.

Q217 **Ian C. Lucas:** What I am going to ask sort of picks up on this thread. It has been very interesting to listen to you because it contrasts markedly with the evidence we have heard from the other public sector broadcasters who have given us evidence. It is very striking that you have already in place systems that certainly I would like to see in place with other public sector broadcasters. It seems extraordinary that you should have them and they do not. My question is whether that is linked to a commercial issue? Is it linked to the fact that you get your income from licence fee payers rather than being commercially driven?

Lord Hall: That is a good question. I think it is because of who we are and you all expect very high standards from the BBC. That means that we put so much stress on David's area and then our commissioning teams to produce programmes that we want. The fact we have five public purposes also helps and is key to what we commission and what we do, why we broadcast the shows that we do.

More broadly than that I think it is in everybody's interest to do programmes that are properly thought through, properly worked out in advance and people are properly dealt with. That is a question for others, not for me, but I think acting decently is fundamental to how we should be as broadcasters.

Q218 **Ian C. Lucas:** I think your question, "What is the purpose of this programme?" is a question that someone in "Benefits Street" should ask and that someone who made "The Jeremy Kyle Show" should ask. Maybe if they had we may not be dealing with this inquiry.

Patrick Holland: We had a programme on BBC Two last year called "The Mighty Redcar".

Ian C. Lucas: Yes, I know it very well.

Patrick Holland: As it was pitched we said, "How are you going to make a series about the young people of Redcar that empowers them, does not demonise them and yet at the same time is interesting and engaging for a broad audience?" The response was "The Mighty Redcar" that was celebratory and was voiced by individuals from the town. In terms of exploring the issues of what it is like to be a young person in that town when the steelworks had closed, the question of, "Should I stay or should I go for my future?" was pertinent. You could have made quite a drab documentary about that or it could have been quite a sensationalist documentary. I think the series that the team at 72 Films made was remarkably life affirming and at the same time still was able to tackle real issues in terms of unemployment and recidivism of offenders.



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That all comes from being able to ask the questions: why are we doing it? What is the purpose of doing it? What is the impact going to be for those contributors?

Ian C. Lucas: I was trying really hard to think of a BBC programme that I could take you to task on in this area and I have not been able to think of one. Thank you.

Chair: We will get back to you if we do. That concludes the questions from the Committee. Thank you very much and, particularly Lord Hall, thank you for your time this afternoon. Thank you.