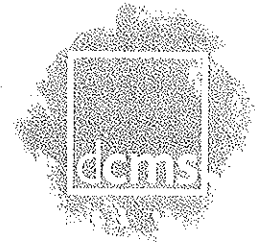


CMS 138915/DC

Sir Michael Lyons  
 Chairman  
 BBC Trust  
 35 Marylebone High Street  
 LONDON  
 W1U 4AA



department for  
 culture, media  
 and sport

16 March 2010

*Doc Michael,*

**DIGITAL SWITCHOVER HELP SCHEME: REPAYING THE UNDERSPEND**

As you will know, it is now clear that the Digital Switchover Help Scheme will underspend by perhaps £300m and our officials have been discussing the arrangements for repaying the money so it can be put to other uses.

The Digital Switchover Help Scheme Agreement between the DCMS and the BBC Trust sets out a profile for expenditure on the Scheme between 2007-08 and 2012-13, and the table below shows the best estimate of the likely underspend and our plans for spending it. As you can see, the underspend in any one year only becomes available for repayment in the following year. In this way, the BBC will not have to make any repayments in advance of having received the ring-fenced licence fee payments for the Help Scheme.

| £m                                | Actual |       | Forecast |        |         |         |         |
|-----------------------------------|--------|-------|----------|--------|---------|---------|---------|
|                                   | 07-08  | 08-09 | 09-10    | 10-11  | 11-12   | 12-13   | 13-14   |
| Ringfenced funds                  | 12.6   | 67.6  | 129.6    | 159.0  | 160.7   | 73.5    |         |
| Underspend                        | 6.7    | 44.2  | 78.8     | 109.4  | 43.8    | 15.3    |         |
| 'Available' cumulative underspend |        | 6.7   | 50.9     | 129.7  | 239.1   | 282.9   | 298.2   |
| Annual DCMS/BIS funding           |        |       |          | (89.1) | (99.0)  | (94.8)  | (15.3)  |
| Cumulative DCMS/BIS funding       |        |       | 0.0      | (89.1) | (188.1) | (282.9) | (298.2) |
| Remaining cumulative underspend   |        | 6.7   | 50.9     | 40.6   | 51.0    | 0.0     | 0.0     |

We would propose drawing down the money we require quarterly except in 2010-11 where we propose slightly different arrangements. In that year, invoicing would occur quarterly, except that the final payment should occur during March 2011 instead of in the next financial year, to meet HMT requirements.

More generally, I would like to reiterate the position set out in the Help Scheme Agreement that the delivery of the Scheme should not be at expense of the BBC's programme making and other activities. If there are circumstances which mean that the Scheme does not underspend to the degree envisaged above, we would reduce our requests for payments accordingly and at no point will DCMS drawdown exceed BBC's confirmed accumulated underspend amount (subject to the point about 2010-11 above). If necessary, we would also trigger the arrangements for dealing with overspends set out in the Scheme Agreement if these could not be accommodated by using the accumulated underspend. If, on the other hand, the accumulated underspend increases, we reserve the right to increase the repayments accordingly in line with the principles set out in this letter.

I also recognise that it may not be possible to recover the full £15.3m of remaining underspend in 2013-14 as there may be some costs associated with the Scheme which fall into this year.

It is our intention that the monies drawn down from the underspend should be used for purposes not inconsistent with purposes of the licence fee, and that the responsibility for ensuring value for money for this expenditure will pass from the Trust to the Government.

I would be grateful if you could confirm that you are content with the proposals set out in this letter as soon as possible.

- > A copy of this letter will be placed in the Libraries of both Houses.

With best wishes,



BEN BRADSHAW