Education and Culture Committee

Report on the renewal of the BBC charter
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Education and Culture Committee

The remit of the Committee is to consider and report on matters falling within the responsibility of the Cabinet Secretary for Education and Lifelong Learning; matters relating to youth employment, skills and employment training, implementation of the recommendations of the Commission for Developing Scotland's Young Workforce, Skills Development Scotland and other matters falling within the responsibility of the Cabinet Secretary for Fair Work, Skills and Training, and matters relating to culture and the arts falling within the responsibility of the Cabinet Secretary for Culture, Europe and External Affairs.

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Introduction

Context and key principles

1. Among its public purposes, the BBC must “represent the different nations, regions and communities to the rest of the UK”, and “cater for the different nations, regions and communities of the UK”.¹

2. The BBC currently receives £3.73bn of public investment each year from the television licence fee, of which around £323m² is collected in Scotland. This is supplemented by commercial revenue generated by the BBC, giving it an annual income of £4.8bn.³

3. The BBC’s constitution is set out in a royal charter.⁴ The current 10-year charter runs until the end of 2016. It is expected the next charter will be published by the UK Government later this year, before coming into force on 1 January 2017.

4. The debate on the next charter has involved numerous wide-ranging discussions and public events held across the UK. It is an important opportunity to consider how the BBC can have a long term future that benefits both the corporation and people in Scotland. There is no doubt the pace of technological innovation and change will continue, potentially affecting the ways in which we consume programmes and how we communicate. We have seen this over the course of the current charter period with the move to digital and on-demand services. Therefore, the next charter should set strategic goals for the future, while at the same time providing flexibility for the BBC to adapt to new and emerging media environments.

5. The charter should also maintain the BBC’s independence from government and politicians. Linked to this is the need for a robust framework for governance and regulation of the BBC, which has the interests of the licence fee payer at its centre.

6. These principles are set against the backdrop of impending financial cuts at the BBC, which means the corporation will face significant challenges over the next charter period. We understand that the impact of these cuts led to the BBC pulling back from proposals included in a network plan for Scotland that would allow BBC Scotland to take a strategic lead in aspects of economic and creative impact, as well as serving audiences.

Role of the Scottish Parliament

7. For the first time, the Scottish Parliament has a formal role in the process of reviewing the BBC charter and contributing to the development of the next charter. We welcome this new role, which reflects the changing constitutional
position in Scotland and the devolution of new powers to the Scottish Parliament as proposed by the Smith Commission Agreement of November 2014.

8. The formalisation of our role in a Memorandum of Understanding (MoU)\(^5\), which will be enshrined in the next charter, is an important step and will enhance the BBC’s accountability to people in Scotland.

Committee inquiry

9. In considering the terms of the next BBC charter, we have focused on the specific implications for Scotland and sought to avoid duplicating the work undertaken by other bodies, particularly by UK parliamentary committees. In the time available, we have taken a high-level approach to what Scotland should seek from the new charter, and avoided becoming embroiled in the complexities and technical detail of broadcasting regulation, alternative models of funding the BBC other than the licence fee, and debates about the merits of specific BBC programmes.

10. We invited views from the public, industry professionals and academics, as well as the Scottish Government, the BBC, BBC Trust and Audience Council Scotland. We also launched a short online survey seeking the public’s opinions on BBC services in Scotland. Information on our evidence-taking is included on our website, which includes the written submissions we received and all other relevant information.\(^6\)

11. Based on what people told us, this report to the Scottish Parliament sets out our view on key issues of importance to Scotland. Its aim, therefore, is to inform the Scottish Parliament to allow it to contribute to the charter renewal process as envisaged by the Smith Commission and as set out in the MoU.
Executive Summary

The BBC is a hugely important cultural institution and remains the single most important contributor to public service broadcasting in the UK. As Ofcom recently reported\(^7\), the BBC is the largest investor in new UK programmes, and plays an important role in supporting the wider creative economy both directly, through commissioning from the independent production sector, and indirectly, through investment in skills and training.

The BBC told us that, in 2014/15, the number of originated TV hours broadcast by BBC Scotland rose to its highest level, with year-on-year increases: local TV hours went up from 818hrs in 13/14 to 882hrs in 14/15; network TV hours went up to 917hrs from 915hrs the previous year.\(^8\) In relation to audience reach, the BBC Trust referred to data indicating that BBC television in Scotland is consumed by a higher proportion of the population than for the rest of the UK\(^9\), although the reach of BBC radio in Scotland is lower than for the rest of the UK\(^10\).

There is a need for the BBC to represent Scotland and the diversity of Scottish culture more effectively:

- Appreciation measures for BBC television\(^11\) and radio\(^12\) in Scotland are lower than average for the rest of the UK.

- People in Scotland think the BBC is poorer at representing their lives in news and current affairs\(^13\) and in drama\(^14\) compared with people in other parts of the UK.

The BBC has acknowledged these concerns and told us it is committed to better reflecting the diversity of the Scottish audience and finding new ways to help support the creative industries in Scotland. However, we acknowledge that concerns about how the BBC represents Scotland have been highlighted as far back as 1951.

We want the BBC to be relevant to people in Scotland and have a long term future in Scotland. We also want the BBC to do more to support BBC Scotland’s in-house production arm and the creative industries in Scotland.

In order for these aims to be realised, we make a number of recommendations, which are set out below.

While many people support reform of the BBC, this must be achieved without affecting its overall reach and impact. In addition, we recognise commissioning and broadcasting across the UK is a complex area and any changes to the arrangements in one area must be properly evaluated to avoid any unintended consequences arising elsewhere.
Accountability and scrutiny of the BBC

Transparency of licence fee settlement

In recognition of the BBC’s important public service role, it is appropriate that people in Scotland should have their say on future questions about how the BBC is funded and what the BBC should be expected to deliver in return for the licence fee.

We welcome the commitments set out in the Memorandum of Understanding, which formalises the BBC’s accountability to the Scottish Parliament and, ultimately, people in Scotland.

We consider public and parliamentary consultation must take place before any decisions are made about the future funding and scope of the BBC in Scotland. We believe this should be reflected in the charter.

Information on the BBC’s services and spending in Scotland

The BBC must provide detailed financial information about its operations and spending in Scotland so that the Scottish Parliament can hold the corporation to account and carry out effective scrutiny.

We acknowledge the BBC’s commitment to consider how to present this financial information. We request early sight of this detail.

We require the charter to include the commitment set out in the Memorandum of Understanding that the BBC will appear before relevant Scottish Parliament committee(s) to discuss its operations in Scotland.

Governance and regulation of the BBC

There must be a strong Scottish element in the governance and regulatory framework of the BBC. It must take account of Scottish views and include Scottish representation.

As with the BBC, the governing body and regulator should be accountable to the Scottish Parliament and be required to appear before parliamentary committees. This should be reflected in the charter.

We support the suggestion of a new service licence for the BBC’s services in Scotland, provided it can be shown to enhance the corporation’s accountability.
Length of charter period

We consider that, as far as possible, parliamentary scrutiny of future charter reviews must not be curtailed as a direct result of the length of the charter. It is also important that future charter reviews allow full public consultation and engagement to take place.

We recommend consideration be given to extending the length of the charter period so that it is unaffected by the electoral cycles in the UK Parliament and Scottish Parliament. Extending the charter in this way would benefit parliamentary scrutiny and promote public engagement in the charter renewal process.

Supporting the development of the creative industries

Decentralising expenditure

We recognise the quota system for regional production for the network has helped to increase economic investment in Scotland. However, the system is inadequate in its current form – it is an artificial mechanism that has not done enough to encourage a sustainable broadcasting and production sector in Scotland. Furthermore, serious allegations have been made that the BBC’s commissioning practice has operated to subvert the spirit of the quota, which can mean the quota spend does not benefit Scotland. This gives us serious cause for concern.

We consider that a proportionate amount of BBC spending should be guaranteed to directly benefit the creative industries in Scotland. To enable this to happen, we consider that responsibility for an element of the network content spend should be decentralised to BBC Scotland. We believe BBC Scotland is best placed to make judgements on how to assist the creative industries in Scotland.

This transfer of expenditure is all the more necessary when we consider the amount of money available to BBC Scotland for local content commissioning is in the region of £35m (plus around another £35m of largely fixed costs to pay for the resources to make the programmes).

The BBC Studios proposal could have significant implications as well as possible benefits for the independent production sector in Scotland. We would be concerned if the proposal further distorted the market to the detriment of Scotland. The implications must be fully considered to avoid this scenario arising.
Decentralising commissioning

We believe that substantial change is required for the commissioning process to grow the strong, sustainable and competitive creative industries sector in Scotland we seek.

We expect a greater degree of decentralisation of and accountability for commissioning and accompanying budgets across the nations and regions to rebalance the concern the BBC has a London bias. This should lead to improvements in the way the BBC portrays Scotland and the diversity of Scottish culture and identity. It should also benefit the creative industries in Scotland by attracting, developing and retaining talent, thus helping the sector become strong, sustainable and competitive. It is not enough just to improve access to commissioners.

Implementing these improvements would not necessarily require the BBC to adopt a federal structure, but would require greater decentralisation of decision making, commissioning and accompanying budgets.
Accountability and scrutiny of the BBC

12. The MoU sets out three commitments that “will guarantee a full consultative role for the Scottish Parliament in the review of the royal charter and the on-going scrutiny of the BBC”\(^\text{15}\). Importantly, the MoU also states that these commitments will be enshrined in the next charter.

13. In relation to the on-going scrutiny of the BBC by the Scottish Parliament, the following specific commitments are made: the BBC’s annual report and accounts will be laid before the Scottish Parliament; and the BBC will be expected to appear before Scottish Parliament committees on matters relating to Scotland.

14. We welcome these commitments, which formalise the BBC’s accountability to the Scottish Parliament and, ultimately, people in Scotland.

15. However, for these mechanisms to be most effective, we suggest a number of improvements relating to the openness and transparency of the BBC’s practices and operations, and the BBC’s accountability to people in Scotland and the Scottish Parliament.

Transparency of licence fee settlement

16. The manner in which recent licence fee settlements were conducted – through private negotiations between the BBC and UK Government, without public consultation – has attracted criticism.

17. In the last parliamentary session, the House of Commons Culture, Media and Sport Committee raised concerns about the process on a number of occasions.\(^\text{16}\) It felt strongly that the process “must be open and transparent, licence fee payers must be consulted and [UK] Parliament should have an opportunity to debate the level of funding being set and any significant changes to funding responsibilities”. Further, it suggested that the 2010 settlement “demonstrated that the BBC’s independence can be compromised by negotiations with the government of the day that lack transparency and public consultation”.

18. We also heard criticism of a lack of transparency in the way negotiations are conducted. It was suggested that fair and exacting scrutiny, coupled with the exercise of transparency and scrupulous use of evidence, should be crucial elements of any new financial settlement.\(^\text{17}\)

19. This general principle received support from the BBC. It suggested that, in order to strengthen links between the BBC and licence payers, a legal obligation should be introduced for the UK Government to consult licence fee payers and the BBC’s regulatory body on future decisions about the funding and scope of the BBC. It would, the BBC said, be appropriate for a Scottish dimension to be built into such a proposition.
20. We want to ensure the BBC is fully accountable to Scottish licence fee payers, and is independent from government and political influence.

21. Our inquiry has shown that there is an appetite for public engagement on issues relating to the BBC charter. We believe it is important that licence fee payers have an opportunity to input their views on key issues affecting the future of the BBC. This was also reflected by the high level of interest and participation in the various public engagement events held across Scotland by the Scottish Government, the BBC Trust and others.

22. In recognition of the BBC’s important public service role, it is appropriate that people in Scotland should have their say on future questions about how the BBC is funded and what the BBC should be expected to deliver in return for the licence fee.

23. We welcome the commitments set out in the Memorandum of Understanding, which formalises the BBC’s accountability to the Scottish Parliament and, ultimately, people in Scotland.

24. We consider public and parliamentary consultation must take place before any decisions are made about the future funding and scope of the BBC in Scotland. We believe this should be reflected in the charter.

Information on the BBC’s services and spending in Scotland

25. We welcome the BBC’s commitment to lay its annual report and accounts before the Scottish Parliament, and for this to be enshrined in the next charter.

26. However, the current position is that the BBC does not produce accounts for BBC Scotland. BBC Scotland spending is incorporated into the wider consolidated accounts for the corporation as a whole, which makes it impossible to associate spending with the delivery of the BBC’s services in Scotland.

27. We were not alone in finding it difficult to unravel the complexity of the BBC’s accounts and, in particular, to disentangle spending in Scotland from the wider consolidated UK accounts. Similar difficulties and frustration were expressed by a number of those who gave evidence to us.

28. We asked the BBC to submit detailed information on its spending in Scotland, which we then discussed, at length, with BBC witnesses. While the witnesses gave some insight into the figures, it became clear that the information provided was not sufficiently detailed to allow effective scrutiny.

29. The BBC recognised the difficulty in interpreting the data and gave a commitment to provide Scotland-specific financial information in future. The Director-General of the BBC, Lord Hall, said he wanted to work out the best way to provide detail on performance and expenditure in Scotland, and on Scotland’s contribution to
network content, to provide the clarity that will enable the Parliament to scrutinise the BBC and hold it to account.  

30. Also, Anne Bulford, Managing Director of Finance and Operations at the BBC, suggested that an overall service licence for Scotland could be beneficial:

> There is clearly an opportunity to make the objectives in the service licences relevant to Scotland. In so far as we can move towards an overall service licence for Scotland, that would be helpful and would give us a framework that could be used for monitoring.

31. Service licences are part of the BBC’s governance arrangements and are considered in the next section.

32. The BBC must provide detailed financial information about its operations and spending in Scotland so that the Scottish Parliament can hold the corporation to account and carry out effective scrutiny.

33. We acknowledge the BBC’s commitment to consider how to present this financial information. We request early sight of this detail.

34. We require the charter to include the commitment set out in the Memorandum of Understanding that the BBC will appear before relevant Scottish Parliament committee(s) to discuss its operations in Scotland.

Governance and regulation of the BBC

35. As the UK Government’s consultation paper on the BBC Charter Review set out, good governance and regulation are vital to a successful BBC. Central to this is the principle that the governing body and regulator – currently the BBC Trust and Ofcom – act as advocates of the licence fee payer and in the wider public interest.

36. This is a complex area and we look forward to considering the findings of Sir David Clementi’s independent review on the subject in due course.

37. Without wishing to pre-empt Sir David’s findings, our key concern is that the future governance and regulatory structure for the BBC should reflect the need for engagement with and representation of Scotland (and the other devolved nations and regions in the UK). It must also provide a framework for obtaining the views of licence fee payers in Scotland and for monitoring performance.

38. We were told repeatedly that a stronger governance model, with a greater level of accountability to and engagement with people in Scotland, is necessary. The BBC Trust recognised this as a key issue that needs to be resolved as part of charter review.
39. There was agreement from Lord Hall on this point. He referred to a unitary board model of governance, which was included as a possible option in the UK Government’s consultation paper:

… if we move to a unitary board for the BBC, there will clearly need to be a member on that board representing Scotland but also representing the fundamentals of public service broadcasting, which I know are dear to all of us.  

40. During our evidence-gathering, we also discussed the possibility of whether a Scotland-wide service licence could help to improve accountability to Scottish licence fee payers. As part of the governance structure, service licences provide a framework for setting objectives and budgets, and a means of assessing performance. If service licences are to be retained under the new charter, we would require them to be adapted to better reflect the services in Scotland and to provide an effective means of monitoring performance. As we have already mentioned, one advantage would be to enhance the transparency of the BBC’s spending in Scotland.

41. As referred to earlier, the BBC appears to be broadly supportive of a Scotland-wide service licence. Under such an arrangement, BBC Scotland would have greater responsibility for moving money between services, looking at the quality of services and adapting services.

42. There must be a strong Scottish element in the governance and regulatory framework of the BBC. It must take account of Scottish views and include Scottish representation.

43. As with the BBC, the governing body and regulator should be accountable to the Scottish Parliament and be required to appear before parliamentary committees. This should be reflected in the charter.

44. We support the suggestion of a new service licence for the BBC’s services in Scotland, provided it can be shown to enhance the corporation’s accountability.

Length of charter period

45. The current charter review period has, to some extent, been limited by the timing of parliamentary elections at Westminster and Holyrood.

46. At Westminster, the charter review was postponed until after the general election in order to avoid politicisation of the process. The timing of the forthcoming election at Holyrood means the consultation and agreement of the new charter will take place either side of the election, involving two separate Parliaments.
47. We consider that, as far as possible, parliamentary scrutiny of future charter reviews must not be curtailed as a direct result of the length of the charter. It is also important that future charter reviews allow full public consultation and engagement to take place.

48. We recommend consideration be given to extending the length of the charter period so that it is unaffected by the electoral cycles in the UK Parliament and Scottish Parliament. Extending the charter in this way would benefit parliamentary scrutiny and promote public engagement in the charter renewal process.
Supporting the development of the creative industries

49. The establishment of a strong, sustainable and competitive independent production sector in Scotland is fundamental to improving how the BBC portrays the diversity of Scottish culture and identity.

50. The BBC invests considerable sums of money in television production (both in-house and externally) and therefore its activities have a significant impact on the development of the creative industries across the UK.

51. While we recognise the BBC also has a role to play in supporting content from independent radio producers, we did not receive any evidence about this area of supply and so our comments focus on television content.

52. During the current charter period the BBC has taken steps to source network television supply from outside London, establish production bases around the UK, and build skills and deliver training across the media sector. We recognise these activities have, to an extent, contributed to the creative economy in Scotland, both financially and in terms of development of skills and talent.

53. However, there remain serious concerns that the BBC needs to do more to stimulate and support the creative industries in Scotland, particularly the independent production sector.

54. Central to this are two main criticisms:

- the BBC’s system of quotas for network production from outside London has resulted in ‘lift and shift’ practices that see much of the financing and intellectual property rights go to London-based companies; and

- the BBC’s processes for commissioning programmes – whereby ultimate decision making power lies in London – puts Scottish companies at a disadvantage.

55. These criticisms are not new; they have been previously highlighted on numerous occasions. For example, the Audience Council Scotland, which advises the BBC Trust on issues relating to Scotland, has referred to them in its annual reports and other submissions over the course of several years.25

56. The concerns have also been raised with the Scottish Parliament Economy, Energy and Tourism Committee26 and House of Commons Scottish Affairs Committee27, in relation to their recent inquiries into the health of the creative industries in Scotland. Both committees recommended action to ensure indigenous Scottish production companies benefited fully from the quota spending and improved access to commissioners.
57. The BBC recognises it needs to adapt its services to ensure they fully reflect and report the asymmetrical development of devolution across the country. Lord Hall told us:

> I would like to see more of what we currently do centrally in London move out of London.\textsuperscript{28}

58. As part of his plans, Lord Hall said the BBC would launch dedicated front pages for Scotland’s online news, sport and on the iPlayer.\textsuperscript{29} He also said the BBC was reviewing how it can make its news and current affairs offering more relevant to different audiences across the UK, and expects to report in spring 2016.

59. In addition, Lord Hall emphasised the importance of having a “strong and thriving Scottish production sector”.\textsuperscript{30} With the aim of delivering this, he told us he had initiated a review of how the BBC commissions network television, which will look at how the BBC can sustain production in Scotland.\textsuperscript{31}

60. We welcome the BBC’s continuing commitment to seek to improve how it represents and portrays Scotland across its services. However, we consider that significant change is required to decentralise expenditure and commissioning at the BBC in order to strengthen BBC Scotland’s in-house production arm and the creative industries in Scotland.

**Decentralising expenditure**

61. During the current charter period, the BBC made the following commitments to growing network television production from outside London:\textsuperscript{32}

- 50% of network spend will be made outside London by 2016.
- 17% of network spend will come from the nations by 2016 and in the interim 12% of spend will come from the nations by 2012.
- A proportion of network spend would be made in Scotland, equivalent to Scotland’s share of the UK population, with a comparable approach in relation to Wales and Northern Ireland.

62. Ofcom’s definition of what constitutes a Scottish production requires two of three criteria to be met.\textsuperscript{33} The BBC is not required to adopt this definition, but chose to do so in 2008.

63. The BBC confirmed that its target for network productions made in Scotland was 8.7% and that this was equivalent to Scotland’s share of the UK population.\textsuperscript{34} It also confirmed that this figure was a proportion of the overall content budgets for BBC One and BBC Two only, rather than total TV content.\textsuperscript{35}

64. The BBC’s latest figures show that the corporation has exceeded its targets for network television production in the nations and regions: 53.3% supplied from outside London; and over 18% from the nations, including 9.2% from Scotland.\textsuperscript{36}
65. Despite this, however, there is strong criticism of the nations quota system. It has been suggested the rules are regularly subverted by London-based production companies that relocate a small part of their operation temporarily to Scotland in order to meet the criteria. These so called 'lift and shift' practices have led to suggestions that such producers need spend only a minority of a production's total budget in Scotland for 100% of that budget to be counted by the BBC as ‘Scottish’ spend and therefore set against the quota. In addition, we were told, the intellectual property rights also went to London and did not help to develop a sustainable television production sector in Scotland.

66. Many people have told us the nations quota process in its current form was not a long term solution and needs to be enhanced. Suggestions for improvement included refining the criteria used to define what counts as a Scottish production for the network, and introducing a strategic plan focused on the growth of the indigenous production sector in Scotland that sits behind the quota.

67. In its review of the way programmes and content are made and supplied to the BBC, the BBC Trust reported that network production in the nations and English regions “needs active intervention by the BBC which goes beyond the requirements of meeting quotas and towards the achievement of sustainable outcomes”. It concluded that, on balance, “some recalibration in the overall approach is required” in order to promote the long term sustainability of supply, as well as the provision of output that represents the whole of the UK.

68. The BBC has also acknowledged that the quota system needs to be enhanced. Lord Hall told us that he wants to be ambitious:

“The lift and shift debate has provided economic value to Scotland and changed perceptions within the BBC, which is good, but the next part of our journey... is to ask how we use all our commissioning powers to have dramas, comedy and documentaries that feel of Scotland to Scotland but which can also be used in the rest of the UK and worldwide.”

69. One way in which the BBC proposes to grow the level of competition in the market is to allow external producers, including those based in Scotland, to be able to compete for a greater proportion of BBC programming. To achieve this, the corporation has suggested – as part of its BBC Studios proposal – the removal of its in-house production guarantee. It is suggested that the BBC Studios model will build on existing in-house production centres of excellence, reflecting the BBC’s ambition to develop creative, sustainable, local networks.

70. However, concerns have been raised about the BBC Studios proposal, particularly in relation to how it might distort the market. For example, MG Alba suggested that the consolidation of the market and emergence of ‘mega-indies’, which informs the BBC Studios proposal, does not represent the reality in the Scottish production sector. Although it is not against increasing competition in the market,
MG Alba suggested that the nations quota would need to be recalibrated to create a level playing field across the UK.

71. Without the above recalibration, MG Alba said that the BBC Studios proposal could hasten the decline of the Scottish production sector.\(^44\)

72. We also considered the budget allocation associated with local content, i.e. for the production of programmes to be shown in Scotland only and sometimes referred to as ‘opt-out’ programming. In response to questioning about the cash spend available to BBC Scotland to commission local content\(^45\), the BBC confirmed the figure was around £35m.\(^46\) This sum would also be supported by around another £35m, of largely fixed costs, to pay for the resources\(^47\) to make the programmes. We understand that this sum includes the cost of producing BBC Scotland news programmes. There is substantial concern that the amount available for commissioning new content by the BBC is too small to have the kind of creative impact that Scotland needs.

73. We recognise the quota system for regional production for the network has helped to increase economic investment in Scotland. However, the system is inadequate in its current form – it is an artificial mechanism that has not done enough to encourage a sustainable broadcasting and production sector in Scotland. Furthermore, serious allegations have been made that the BBC’s commissioning practice has operated to subvert the spirit of the quota, which can mean the quota spend does not benefit Scotland. This gives us serious cause for concern.

74. We consider that a proportionate amount of BBC spending should be guaranteed to directly benefit the creative industries in Scotland. To enable this to happen, we consider that responsibility for an element of the network content spend should be decentralised to BBC Scotland. We believe BBC Scotland is best placed to make judgements on how to assist the creative industries in Scotland.

75. This transfer of expenditure is all the more necessary when we consider the amount of money available to BBC Scotland for local content commissioning is in the region of £35m (plus around another £35m of largely fixed costs to pay for the resources to make the programmes).

76. The BBC Studios proposal could have significant implications as well as possible benefits for the independent production sector in Scotland. We would be concerned if the proposal further distorted the market to the detriment of Scotland. The implications must be fully considered to avoid this scenario arising.
Decentralising commissioning

77. A key concern raised by production companies is that the commissioning process for network television has too much of a London focus. They have said that proximity is a crucial factor, in that it can be difficult for Scottish companies to win commissions because the centralised model, with ultimate decision making lying in London, puts Scottish companies at a disadvantage.48

78. To address this, the overwhelming opinion was that decentralisation is required to transfer greater responsibility for commissioning, together with the associated expenditure, to BBC Scotland.

79. It was suggested this would lead to more production spend staying in Scotland, in turn attracting more companies to locate here and the development of a strong talent base, in front of and behind the camera. It has also been argued that, as a result, programming content would more closely reflect the diversity of Scottish culture and identity.

80. For example, the Audience Council Scotland said:

> Only with the devolution of network budgets and commissioning powers could a critical mass be achieved in Scotland for the independent and in-house content creators, allowing network production to be a viable long-term, sustainable activity in Scotland.49

81. Others have gone further and have called for a full federal structure at the BBC.50 The Scottish Government has talked about such a model, which would see the BBC in Scotland operating with a level of autonomy about how it spends the money that is raised here. The Cabinet Secretary for Culture, Europe and External Affairs, Fiona Hyslop, argued that a federal BBC, in conjunction with the availability of an additional Scottish television channel, would play a key role through its commissioning policy and its resources in boosting and sustaining Scotland’s creative sector.51

82. While there was support for the idea of a federal BBC, questions were raised about what the implications might be for the BBC in other parts of the UK and how such a structure might impact on the BBC’s overall strategic purpose and position as a global broadcaster.52

83. Others suggested one way of bringing more commissioning power to Scotland would be to base an existing BBC channel or a new TV channel here.53 For example, the Cabinet Secretary commented:

> I think that it is agreed that additional platforms for Scotland are needed, which could include a linear channel and radio opportunities. Nobody is saying that the status quo is satisfactory: everybody, including the BBC, has acknowledged that it is not. The question is what the change could be. There could be internal change to the BBC’s structure—for example, there
was the proposal to move BBC Two. In fact, there is an opportunity to have a new Scottish channel taking up the BBC Three space when it becomes vacant. The decision making on commissioning the content will drive that. 54

84. We were also told about a number of European countries that have localised television channels, such as RTÉ and TV3 in Ireland. 55 Other examples included Catalan-language channels, and dedicated channels for each Dutch province and the German Länder.

85. The BBC accepted that changes are required to the commissioning process. Lord Hall confirmed he had initiated a review of BBC commissioning with the aim of having “a simpler and more direct” 56 process. He also said the review was not only about “people having more access to commissioners; frankly – and this is the difficult bit – it is about giving a no, if it is a no, quickly” 57.

86. We believe that substantial change is required for the commissioning process to grow the strong, sustainable and competitive creative industries sector in Scotland we seek.

87. We expect a greater degree of decentralisation of and accountability for commissioning and accompanying budgets across the nations and regions to rebalance the concern the BBC has a London bias. This should lead to improvements in the way the BBC portrays Scotland and the diversity of Scottish culture and identity. It should also benefit the creative industries in Scotland by attracting, developing and retaining talent, thus helping the sector become strong, sustainable and competitive. It is not enough just to improve access to commissioners.

88. Implementing these improvements would not necessarily require the BBC to adopt a federal structure, but would require greater decentralisation of decision making, commissioning and accompanying budgets.

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1 BBC Public Purposes. See BBC website: [http://www.bbc.co.uk/aboutthebbc/insidethebbc/whoweare/publicpurposes/communities.html](http://www.bbc.co.uk/aboutthebbc/insidethebbc/whoweare/publicpurposes/communities.html)
2 Correspondence received from the BBC, 24 December 2015. Available at: [http://www.scottish.parliament.uk/S4_EducationandCultureCommittee/BBC%20charter/BBCResponse.pdf](http://www.scottish.parliament.uk/S4_EducationandCultureCommittee/BBC%20charter/BBCResponse.pdf)
4 Accompanying the charter is an Agreement, which is signed by the UK Government and the BBC, and provides detail on many of the topics outlined in the charter and also covers the BBC’s funding and its regulatory duties. Together with the charter, the Agreement establishes the BBC’s independence from the Government. The current charter and agreement are available on the BBC Trust website: [http://www.bbc.co.uk/bbctrust/governance/regulatory_framework/charter_agreement/](http://www.bbc.co.uk/bbctrust/governance/regulatory_framework/charter_agreement/)
8 BBC. Written submission
9 Reach (TV, 2014): UK, 82.5%; Scotland, 83.4%; England, 82.2%; Wales, 85.4%; Northern Ireland, 81.6%. Source: BARB, reproduced in BBC Trust written submission.
10 Reach (radio, 2014): UK, 65.6%; Scotland, 57.3%; England, 65.6%; Wales, 75.8; Northern Ireland, 63.1%. Source: RAJAR, reproduced in BBC Trust written submission. In addition, supplementary data was provided by the BBC showing figures for Q3, 2015: UK, 65.3%; Scotland, 59.4%.
11 Appreciation measure (TV, 2014): UK, 81.2; Scotland, 80.0; England, 81.3; Wales, 81.4; Northern Ireland, 82.4. Source: BBC Pulse Survey, reproduced in BBC Trust written submission.
12 Appreciation measure (radio, 2014): UK, 80.1; Scotland, 79.7; England, 80.0; Wales, 82.6; Northern Ireland, 78.6. Source: BBC Pulse Survey, reproduced in BBC Trust written submission.
13 People believe they are not well represented in BBC drama (2015): Scotland, 49%; England, 40%; Wales, 41%; Northern Ireland, 38%. Source: BBC Trust Purpose Remit Survey 2015.
14 People believe the BBC is good at representing their life in news and current affairs content: Scotland, 48%; England, 61%; Wales, 55%; Northern Ireland, 61%. Source: BBC Annual Report and Accounts 2014/15, page 33.
15 See note 5
17 Ofcom Advisory Committee for Scotland. Written submission
20 On behalf of the UK Government, the Department for Culture, Media and Sport launched a public consultation on the BBC Charter Review, on 16 July 2015. Further information is available on the DCMS website: https://www.gov.uk/government/collections/bbc-charter-review
21 Details of the review including the Terms of Reference are available on the DCMS website: https://www.gov.uk/government/news/independent-review-into-how-the-bbc-is-governed-and-regulated
22 For example, the Royal Society of Edinburgh, Creative Scotland. Written submissions
23 BBC Trust. Written submission
32 BBC Trust website: http://www.bbc.co.uk/bbctrust/our_work/services/programme_supply/network_tv.html
33 These are defined as ‘regional productions’ and the criteria are set out on the Ofcom website, see paragraph 5: http://stakeholders.ofcom.org.uk/broadcasting/guidance/programme-guidance/reg_prod/
37 Matchlight Ltd, Tern TV. Written submissions
38 Matchlight Ltd. Written submission
39 MG Alba. Written submission
40 BBC Trust. Written submission
BBC Trust, *The supply arrangements for the production of the BBC’s television content, radio content and online content and services* (June 2015), conclusion 5, page 17. Available at: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/our_work/content_supply/2015/content_supply_review.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/our_work/content_supply/2015/content_supply_review.pdf)


MG Alba. Written submission

The BBC described this amount as “above-the-line commissioning for writers, directors, artists and production team talent”.


The BBC described these as the “costs of production studios, post production, outside broadcast rights, executive producers, property and IT”.

Tern TV. Written submission. Similar comments have also been reported by the Audience Council Scotland, and the two parliamentary committees referred to in paragraph 56.

Audience Council Scotland submission from March 2015 responding to the BBC Trust’s review of The supply arrangements for the production of the BBC’s television content, radio content and online content and services. Available at: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/acs/acscontentsupply.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/acs/acscontentsupply.pdf)

Professor Beveridge, Independent Producers Scotland, Matchlight Ltd, Tern TV. Written submissions


