



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION AND CULTURE COMMITTEE

Tuesday 12 January 2016

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EDUCATION AND CULTURE COMMITTEE

2nd Meeting 2016, Session 4

CONVENER

*Stewart Maxwell (West Scotland) (SNP)

DEPUTY CONVENER

*Mark Griffin (Central Scotland) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Chic Brodie (South Scotland) (SNP)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Liam McArthur (Orkney Islands) (LD)
*John Pentland (Motherwell and Wishaw) (Lab)
*Mary Scanlon (Highlands and Islands) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Lord Hall of Birkenhead (BBC)
Anne Bulford (BBC)
Aileen Campbell (Minister for Children and Young People)
Fiona Hyslop (Cabinet Secretary for Culture, Europe and External Affairs)
Ken MacQuarrie (BBC)
John McCutcheon (Scottish Government)
Laura Turney (Scottish Government)

CLERK TO THE COMMITTEE

Terry Shevlin

LOCATION

The Sir Alexander Fleming Room (CR3)

Scottish Parliament

Education and Culture Committee

Tuesday 12 January 2016

[The Convener opened the meeting at 10:03]

Subordinate Legislation

Secure Accommodation (Scotland) Amendment Regulations 2016 [Draft]

Continuing Care (Scotland) Amendment Order 2016 [Draft]

The Convener (Stewart Maxwell): Good morning. I welcome everybody to the second meeting in 2016 of the Education and Culture Committee and remind everybody present to ensure that all electronic devices, particularly mobile phones, are switched off.

Our first item is to take evidence on two pieces of subordinate legislation: the draft Secure Accommodation (Scotland) Amendment Regulations 2016 and the draft Continuing Care (Scotland) Amendment Order 2016. I welcome to the committee the Minister for Children and Young People, Aileen Campbell, and her accompanying officials. Good morning to you all and a happy new year. I do not think that I have seen any of you this year yet.

After we have taken evidence on the instruments, we will debate the motions in the name of the minister under agenda items 2 and 3. Officials are not permitted to contribute to the formal debates, of course. I invite the minister to make some opening remarks on both instruments.

The Minister for Children and Young People (Aileen Campbell): Thank you, convener, and happy new year to you and the rest of the committee. I thank the committee for the opportunity to introduce the two draft instruments.

The draft Secure Accommodation (Scotland) Amendment Regulations 2016 make provision for the time limits for and the hearing of evidence in relation to appeals against a chief social work officer's decision to detain a child in secure accommodation when an order has been made by a sheriff under section 44 of the Criminal Procedure (Scotland) Act 1995.

When a child over 12 is found guilty of certain summary criminal offences, section 44 of the 1995 act allows a sheriff to order that the child be detained in residential accommodation for up to a

year. Those offences are imprisonable if they are committed by someone aged over 21, but an important point is that the section 44 provisions do not extend to indictable offences or murder.

A child who is subject to a section 44 order may be placed in secure accommodation but only if certain conditions are met. The decision to place the child in secure accommodation is taken by the chief social work officer of the local authority, but before such a decision is taken, the officer has to consult the child, each relevant person and the head of the secure unit. In 2013-14, which is the most recent year for which we have reports, fewer than five children were placed in secure accommodation as a result of section 44 orders.

Although there is already a right of appeal under the 1995 act against any section 44 order made by a sheriff, and although the decision by a chief social work officer to place the child in secure accommodation is also subject to a review process, there has previously been no right of appeal against the decision to place the child in secure accommodation in such circumstances. We, along with partners and stakeholders, considered that there was an opportunity to improve that position.

The substantive issue was addressed in section 91 of the Children and Young People (Scotland) Act 2014, which inserted new section 44A into the 1995 act to create a right of appeal against the chief social work officer's decision. The amendment regulations supplement those 2014 act changes by setting out further detail of the procedure relating to such appeals, including detail on timescales, taking evidence and obtaining the child's views. Alongside the changes that have already been made to court rules and the 1995 act, the regulations will create a process that reflects as closely as possible the appeal arrangements for children who are placed in secure accommodation via the children's hearings system.

The draft Continuing Care (Scotland) Amendment Order 2016 amends article 2 of the Continuing Care (Scotland) Order 2015 to increase, from 1 April, the upper age limit for eligible persons specified for the purposes of section 26A(2)(b) of the Children (Scotland) Act 1995 from 17 to 18 years of age. That means that, for the purposes of the duty on local authorities to provide continuing care under section 26A of the 1995 act, an eligible person will from 1 April be a person who is at least 16 years of age but who has not yet reached the age of 18. By virtue of article 3 of the 2015 order, the local authority's duty to provide continuing care lasts from the date on which the eligible person ceases to be looked after until the date of their 21st birthday.

In summary, part 11 of the 2014 act, on continuing care, and the accompanying secondary legislation stress the importance of encouraging and enabling young people to remain in safe and supported environments until they are ready to make a more graduated transition out of care. That will help to normalise the experience by allowing strong and positive relationships between the young person and their carer to be maintained into adulthood. The draft order essentially makes a procedural amendment to increase the upper age limit for eligible persons from 17 to 18 years of age as part of an agreed annual roll-out strategy.

That concludes my remarks, and I am happy to take questions on both draft instruments.

The Convener: Thank you very much, minister. Do members have any questions?

Chic Brodie (South Scotland) (SNP): I have a brief question, convener.

Good morning, minister. Paragraph 4 of proposed new regulation 11A of the Secure Accommodation (Scotland) Regulations 2013, as inserted by regulation 3 of the draft Secure Accommodation (Scotland) Amendment Regulations 2016, says:

"The sheriff may hear evidence from ... the child"

or

"each relevant person in respect of the child".

The committee has previously discussed the issue of the capacity of the child or the person acting on the child's behalf. In such circumstances, who decides the capacity of the child or

"each relevant person in respect of the child"?

Is that down to the sheriff?

Aileen Campbell: It is important to remember that the regulations in question relate to children over the age of 12. There are always appropriate ways of assessing the child's capacity and there will have been close working on the matter before the decision was made to put the child into a secure unit.

Does John McCutcheon want to say anything more about the social work officer's role in assessing capacity?

John McCutcheon (Scottish Government): If my memory serves me correctly, I think that there is something in the 2014 act, or at least built into the sheriff court rules, that says that the sheriff can take the child's views into account, bearing in mind the child's age and their ability to offer a view.

Chic Brodie: I understand that, but we heard in a previous conversation that there was an age limit on that, as well. There is still the question whether a child over the age of 12, or indeed the

parent or person who is responsible for the child, has the capacity to address the issues. Are you saying that you will leave it to the sheriff to decide that?

Aileen Campbell: A child over the age of 12 will be presumed to have capacity, but there will clearly have been intervention in that child's life and a lot of support and other interventions put in place given the decision to put the child into a secure unit.

The legislation also has to take cognisance of getting it right for every child and all the checks and balances in it to ensure that child-centred decisions are taken. The amendment regulations will allow the child to have the same right to make an appeal if they do not agree with the decision that they would have if they had been put into a secure unit through the children's hearings system. That brings that side of the secure unit legislation up to pace with the legislation relating to children who are placed in a secure unit through the hearings system. The regulations are about bringing about that equality and righting the anomaly in the legislation. However, the GIRFEC legislation will capture those children as well and ensure that the decision is child centred, because it is a serious decision. The regulations will allow the child to make an appeal if they deem that the decision was not appropriate.

Chic Brodie: We support that, but it is important that we do not leave it to the sheriff to decide who is able and who is not able to offer a view and that there is a basis for that decision.

On the draft Continuing Care (Scotland) Amendment Order 2016, paper 1 says:

"The Policy Note explains that in line with discussions during the passage of the Children and Young People (Scotland) Bill when the Continuing Care provisions were being developed, this upper age limit will be extended annually ... up to 21."

Why do we not just go to the age of 21 now instead of going from 18 to 19 the next year and then 20 the next year?

Aileen Campbell: Members who were on the committee when we passed the 2014 act will know that the aspiration is to get to 21, but the practicalities of doing that have meant that the agreed roll-out is to extend the limit every year. That will capture the young folk who ordinarily would have had to exit their care placement if the legislation had not been changed. This is about the gradual, increased roll-out of the policy to capture all those young folk. It does not make any difference whether they are 16 to 17 or 17 to 18; the same young people will eventually get to the age of 21, and they can decide whether they want to stay in their care placement. That approach allows us to make the transition in a sustainable

way that will allow the care placements to cope; it was agreed that that approach would be taken to the roll-out.

Chic Brodie: Okay. Thank you.

Liam McArthur (Orkney Islands) (LD): I apologise for my late arrival, which was due to flight problems.

On the subject that Chic Brodie referred to, the minister will recall that, during the passage of the Children and Young People (Scotland) Bill, I was one of the people who advocated an extension to the age of 21. I think that, by the end of the evidence taking, the whole committee found compelling the argument that the minister has put on why a more graduated approach was appropriate. We want to put in place something that is sustainable and delivers the objective. The evidence that we received initially suggested that some 16-year-olds would find themselves having to cope with exiting the care system when they were about to sit key life-stage exams, for example, and I think that everybody accepted that we did not want to be in that place.

I acknowledge the fact that the instrument is coming forward, and I hope that it will have the effect that we all aspired to during the passage of the Children and Young People (Scotland) Bill.

Mary Scanlon (Highlands and Islands) (Con): I have a brief question on both instruments. It is interesting that you are revising the 1995 act, which is from 20 years ago. We would always expect a right to appeal in new legislation. Have you carried out a review of any other legislation that relates to children that might require subordinate legislation to bring forward a right of appeal, or is this just a one-off?

Aileen Campbell: Sorry, but do you mean in any element of children's policy?

Mary Scanlon: Yes. Given that you are revising something that is 20 years old, which is welcome, is there any other legislation relating to children where a right of appeal is absent? Have you carried out a wider review?

10:15

Aileen Campbell: Not to my knowledge but, if other things crop up, we will endeavour to let you know. The regulations are about rectifying an anomaly to allow the group of young people in question to have the same rights of appeal as those in the children's hearings system have.

Mary Scanlon: I agree with the measure; I am just surprised that the original provision was made in 1995. The change is welcome, nonetheless.

Aileen Campbell: There are many parts of the 1995 act that many parties have been quite

determined to ensure that we do not touch. I am sure that you are well aware of the policy differences that exist between our respective parties. Certainly, there are no further measures imminent or on the horizon.

Mary Scanlon: My second question relates to the policy note on the draft Continuing Care (Scotland) Amendment Order 2016. I was slightly surprised to read that

"no Business and Regulatory Impact Assessment (BRIA) is necessary ... in line with the Financial Memorandum".

I was not a member of the committee when it considered the Children and Young People (Scotland) Bill, but I listened to what you said. Is there no financial impact or additional cost as a result of the duty to provide continuing care and strong positive relationships with carers?

Aileen Campbell: The order is part of the gradual roll-out of the already agreed policy in the Children and Young People (Scotland) Act 2014, the accompanying financial memorandum to which outlined—

Mary Scanlon: So the money has already been allocated.

Aileen Campbell: Yes. To go back to what Chic Brodie and Liam McArthur said, this is about a transition to get to the place where we want to be, which is to allow young people to stay in care up to the age of 21. That was all dealt with in the financial memorandum that was developed for the 2014 act.

Mary Scanlon: So you are saying that there will be additional costs but that they are already accounted for.

Aileen Campbell: Yes.

The Convener: On the draft Secure Accommodation (Scotland) Amendment Regulations 2016, you talked about the introduction of an appeal process under section 44A of the 1995 act. I think that that is covered in paragraph 6 in the policy note. Clearly, the change is welcome, but are you aware of any adverse impact on children who have been involved in the process, given that we are only now introducing an appeal process?

Aileen Campbell: No. From memory, I think that around five children a year go into a secure unit through the route that we are talking about. The regulations ensure that the right of appeal exists for such children and that the legislation is robust. The reality is that very few children and young people go into a secure unit through that process. However, that does not mean that this is not the right thing to do.

I have just been handed a note that confirms that, in the most recent year for which we have a

report, there were five such children and we are not aware of any adverse effect on them. The regulations will rectify the anomaly and ensure that the system is robust and allows for an appeal. The reality is that few children go into a secure unit through that route.

The Convener: I realise that the numbers are small, but clearly if those five individuals had issues—

Aileen Campbell: They did not, as far as we are aware.

The Convener: Okay—thank you very much.

As members have no more questions, we will move on to agenda item 2, which is the formal debate on the draft Secure Accommodation (Scotland) Amendment Regulations 2016. I invite the minister to move motion S4M-14968.

Motion moved,

That the Education and Culture Committee recommends that the Secure Accommodation (Scotland) Amendment Regulations 2016 [draft] be approved.—[*Aileen Campbell.*]

Motion agreed to.

The Convener: We now move to agenda item 3, which is the formal debate on the draft Continuing Care (Scotland) Amendment Order 2016. I invite the minister to move motion S4M-14984.

Motion moved,

That the Education and Culture Committee recommends that the Continuing Care (Scotland) Amendment Order 2016 [draft] be approved.—[*Aileen Campbell.*]

Motion agreed to.

The Convener: I thank the minister and her officials for attending. I suspend the meeting briefly.

10:19

Meeting suspended.

10:31

On resuming—

BBC Charter Renewal

The Convener: Our next item is to take evidence on the BBC charter renewal process.

Before we get on to that, I have to inform members that we invited the BBC trust to attend this morning but, as you can see, it is not represented here today. We had hoped that the trust would be part of this panel of witnesses, but unfortunately it refused to attend. Despite first being asked to attend on 24 November, the BBC trust would, on a matter of principle, appear only if we guaranteed that it would be on a separate panel from the BBC. It is for the Parliament and the committee to determine the make-up of panels of witnesses. Although the BBC trust stated that it is a matter of principle, we note that the trust has previously appeared before another parliamentary committee along with the BBC. Its absence is regrettable and we will wish to consider whether the trust or its successor should be placed under similar obligations to appear before the Scottish Parliament as those that the memorandum of understanding places on the BBC more generally.

I welcome to the committee, from the BBC, Lord Hall of Birkenhead, Anne Bulford and Ken MacQuarrie. I believe that Tony Hall wishes to make some opening remarks.

Lord Hall of Birkenhead (BBC): Thank you convener, and thank you for inviting us to the committee today.

As director general of the BBC, I want to achieve a strong and vibrant BBC Scotland that reflects the nation that it serves, is full of confidence in its output and is properly fearless in its journalism.

We all recognise the pace of change in devolution, and that it is changing asymmetrically across the United Kingdom. The committee knows that only too well. Part of that change is this new way of looking at the charter renewal process with the Scottish Parliament, which I wholly welcome.

I say in no spirit of complacency or arrogance that I am immensely proud of the BBC and the output that we produce. Look at the breadth and quality of our programming over Christmas, from “Mrs Brown’s Boys” to “Sherlock” and so on, and at the way that our news teams in particular respond at times of crisis—such as the floods in Scotland—and provide an extraordinary public service to our viewers, listeners and online users.

I have been following the evidence that has been provided to the committee and there has rightly been proper debate and criticism of the

BBC, but I hope that I have also sensed a belief, which I welcome hugely, in what the BBC should be and in public service broadcasting. We know that we are not without our flaws. There is a lot to do, but there are also things that we can be proud of.

I just want to say a few words of context. First, I think we have to look at the BBC in a global as well as a national context. Overall, the thing that obsesses me a lot is the fact that the amount of money that is spent on United Kingdom production in the UK by UK companies is in decline. I want a vibrant production sector in the UK—a sector that is not dominated by US studios but is UK production for the UK, and from the UK to the world. In that, I want a strong and thriving Scottish production sector that feeds into it, works in it and is a real part of it. That is the real prize.

That is why I stress hugely my wanting an open BBC: not an arrogant BBC, but a BBC that works as a partner with people, that supports the creative industries and which is also an open platform, where that is right, to help others to get visibility not only in Scotland or the UK, but globally.

I was really struck, while watching the David Bowie obituary that led “BBC News at 10” last night, when Sir John Sorrell said that he represents the most creative nation in the world. I really believe that. The UK—and Scotland—is an immensely creative nation.

My first point, therefore, is that production interests me a lot and I think that we have a big role there. Secondly, we have a role in which we need to look very carefully at how we serve Scottish licence fee payers, and also at how we portray Scotland, in two main ways. I laid that out just before Christmas in a variety of places.

In television, the network supply review that we have been talking about and examining has achieved a lot, but we can do so much better in telling the stories of Scotland not only to Scottish audiences but, moving on from that, to the whole UK and the world.

At the moment I am reviewing how we commission across network television. One of the aims is to ensure that we are representing and portraying all parts of the UK, particularly Scotland. We are also looking at how we can help to sustain production in the nations.

I want to ensure that in the next charter period we are not only telling Scottish stories to Scotland, but that we are taking Scottish stories, dramas and comedy to the whole UK and beyond. We are looking at ways within that of ensuring that we can tap into new talent—writers, directors and so on. I am sure that we will talk more about that, but I wanted to lay that point out.

The second issue, which concerns the news, is that the BBC's principle has been neither to lead nor to lag in devolution. Now is the right time to ask whether we are getting it right and whether we need to change the balance. A lot of things have changed since the last time that was looked at by the BBC, which was before my time—I think it was in 2011. My view is that now is the time to make a change.

We are conducting a review of news, which will report in the spring. It is looking at the provision of news across television, radio and online. In that review there will, of course, be a debate about what has become known as the “Scottish Six”. I want to make sure that the discussion is about the totality of our services, and that it looks to the future. I am very aware, as we look at how people are consuming news, that they do so not just in the traditional and important ways that are our main services, but using mobile and online services. We want to make sure that those media are match fit as well.

I have already said that online there will be nations front pages for news, but today I also want to say, based on exactly the same principle, that Scotland should have its own front page on the iPlayer, on the BBC sport website and on the home pages as well. As we catch up with where we should be on data and we can personalise our services more, we will have a huge opportunity to offer licence fee payers in Scotland services that are more attuned to the things that they may want. That is important, too.

Finally, I want to stress the point about being open that I made earlier. We have a big opportunity with something that we have called the ideas service, but also with the work that we are doing in arts and in science, to open up the iPlayer to people who think and act like us, in a public service sort of way.

The iPlayer can be a backbone for what the BBC offers audiences; beyond that, it could be the backbone that enables the Edinburgh festivals, for example, to reach a bigger audience. We are looking at that, because there is a lot that we can do in that regard.

Finally, I want to devolve more decision making on how we provide services in Scotland to the BBC team in Scotland. It strikes me that there should be—in the technical language that we always use about these things—a service-licence agreement for the whole of what is done in Scotland, which should rest in Scotland, and that moving money between services, looking at the quality of services and adapting services should be matters for BBC Scotland. I believe that very strongly. As you know, a review by Sir David Clementi is going on into how we will be governed, and I have made the point strongly to him. I also

believe that 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.

Thank you, convener.

The Convener: Thank you for those opening remarks. I very much welcome the review of the news service that you mentioned, and the web and iPlayer changes.

I want to put this question to Ken MacQuarrie first and then to Tony Hall. I understand that BBC Scotland management put forward what has been widely seen as an ambitious and forward-looking plan for how BBC Scotland will look in the future. Is that the case?

Ken MacQuarrie (BBC): As we were running up to the charter renewal, across the BBC we had a number of groups of which BBC Scotland was a part, and all the divisions put forward a range of ideas and options. I am proud to say that all the ideas and options were driven by a desire to serve the audience better, to deliver value and to contribute to the whole of the BBC's creative process. That work was going on across the BBC for some 18 months.

The Convener: As I understand it, BBC Scotland presented a forward-looking and ambitious plan for the future of BBC Scotland. Will you tell us what it contained?

Ken MacQuarrie: Among the various plans that we put forward was consideration of whether to deal with the audience through an online offer and whether a linear channel is the right offer for the audience. It also included a range of options about how we can ensure that we get younger audiences viewing and listening to the BBC. I am on record saying at the Edinburgh television festival that a linear channel is one of the options that addresses the heartland audience—the traditional BBC audience—but would not bring younger and more diverse audiences to the BBC.

If by “ambitious plan” you are referring to the range of options, we absolutely had a range of options, which were put forward in discussion throughout the 18-month period. That was also true of every other division in the BBC.

The Convener: I am sorry, but I am asking you specifically about BBC Scotland. Are you saying that the document that you put forward contained a range of options and open questions about whether specific options were good or bad, or are you saying that it contained specific recommendations that you and BBC Scotland management thought would represent an ambitious future for BBC Scotland?

Ken MacQuarrie: We never reached the stage of having a formal “document”, as you describe it. What we had was a number of ideas. We had a preference at one stage for examining the pros and cons of delivering a bespoke channel for Scotland, but I must stress that that was just one of a number of options that we put forward during that period.

The Convener: Will you clarify that? Are you saying that you did not have a document?

Ken MacQuarrie: We did not submit a formal plan within the BBC's formal structures. It was part of the overall creative process of charter renewal which was—

The Convener: How did you let the BBC in London know what your plans were? Did you just phone them up?

10:45

Ken MacQuarrie: No. We met in various groups from various divisions, and all the divisions put forward what was, at the outset, a fairly broad range of options. That was how the discussion took place. The process is a fairly normal one; I have been through a number of charter reviews and this particular process matched my past experiences.

The Convener: I am going to stick with the word “plan”. What happened to the plan that you put forward to the BBC for the future of BBC Scotland?

Ken MacQuarrie: In our discussion, we looked at the various options. That was when the BBC's financial envelope had been made clear. We looked at the options and, at that stage, every division in the BBC began to hone their proposals, which resulted in the document that the BBC submitted to the Department for Culture, Media and Sport.

The Convener: Chic, do you have a question?

Chic Brodie: My question is simply this, convener: where is the written plan?

Ken MacQuarrie: As I have said, we do not have a formal document as such—

Chic Brodie: You must have had some basis for your discussion.

Ken MacQuarrie: We had a basis for the discussion—

Chic Brodie: So where is that plan?

Ken MacQuarrie: The basis for the discussion was, essentially, the options, which included online delivery for Scotland, a linear channel and so on. That was the range of options that we were involved with.

The Convener: You are leading with the online issue, but I had understood that the plan dealt with an awful lot more than that, and included the possibility of a new television channel, a radio channel, full devolution of commissioning powers and budget and all the things that would go with that. Is that not the case?

Ken MacQuarrie: One of the options that we looked at was a second service on Radio Scotland, and we also looked at the balance of advantage with regard to a radio service versus a television service and how we would get to the various audiences. I stress, though, that those were among a number of options that were tabled in discussions as part of the normal charter process.

The Convener: Did the options include the things that I have mentioned—for example, devolution of commissioning and budget?

Ken MacQuarrie: The question where commissioning should sit—what should be commissioned pan-UK, if you like, and what should be commissioned from London—was one that we looked at in the discussions. That has, I think, resulted in the terms of the on-going review of commissioning that the director general mentioned.

The Convener: I will take that as a yes.

Director general, what happened to the plan that was presented to you—in whatever format it was put forward?

Lord Hall: Let me just add something on the process that Ken MacQuarrie has just outlined. We were looking at ways in which we could—had we the opportunity—suggest that the licence fee go up by more than inflation in order to fulfil a number of ambitions that we have right across the piece, including in Scotland. After the settlement with the Chancellor of the Exchequer in July, we had to say what priorities really mattered to us.

At this point, I stress that this is not a case of BBC Scotland versus London. Between us, we have been talking about this a lot, but we had to ask ourselves what are the priorities for the BBC in Scotland. After talking with Ken MacQuarrie and others—and going back to my opening comments—I think that the priority for Scotland is the production of drama and other things both for the network and for the globe. Of course, that is part of the debate, but we thought that we should put our money more into that than into things such as a linear channel.

Secondly, we were also thinking about the future of broadcasting. I believe that channels will be important for a long time into the future; after all, BBC One is doing remarkably well, and it is the way of getting to as many people as possible in

Scotland and across the UK. However, you can see that in certain areas people, particularly our younger audiences, want what they want on demand—wherever they are and whenever. In so far as we can prioritise our spending, what we do in the nations is clearly important.

However, as Ken MacQuarrie said, we also need to think about how we ensure that the audiences of the future can have the content that they want where they want it. That applies to younger audiences in particular, but it includes many of us, too. In that respect, it seems that building an online channel is important.

The Convener: I would have thought that both things were important: it is not about one versus the other. Why is it important to have UK channels such as BBC One, BBC Two, BBC Four and so on—and the same with radio—but it is not equally important to have additional Scottish channels, as was proposed in the plan?

Lord Hall: That goes back to resources again, and how best we can use the resources that we have. The committee knows what the settlement is for the BBC. We have to absorb the cost of over-75s not having to pay for their TV licences. You know all that. Within that envelope, we are looking at the best way to serve Scottish audiences and all our audiences across the UK. In that sense, we have put a priority on getting our news right and on getting our commissioning and production base right.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Apologies for my voice—I am just coming out of a cold, so I am a bit croaky.

Tony, if my understanding of your comments is correct, you are indicating that any additional services that could come to Scotland would be dependent on the licence fee settlement. You stated in your submission to the committee that

“During the current Charter, steps were taken to ensure that spend on BBC network television in each nation would broadly match that nation’s share of the population.”

We asked you for detailed figures for BBC Scotland and we were told that they were not available, but curiously enough you managed to provide headline numbers for income and expenditure. I do not quite understand the difficulties in providing the detailed figures if you can provide the headline numbers.

However, if we take your annual report, which is what you pointed us to, and look at the spend by service licence in 2015, we find that you spent just shy of £2.4 billion on television. According to your target of 8.6 per cent, which is the population share, there should have been a £204 million spend in Scotland. Forget about local networks and lift and shift and all the rest of it—you spent

only £148 million in Scotland in 2014-15, so right away that is a shortfall of £56 million.

You spent £652 million on radio; 8.6 per cent of that would have been £56 million whereas you spent £30 million, so that is a shortfall in Scotland of £26 million.

For BBC online services, you had a budget of £201 million. Scotland's share should have been £17 million and only £11 million was spent, so the shortfall is £6 million.

That is a total shortfall of around £87 million, which suggests that there is room to improve the situation.

Lord Hall: Can I just run through the figures as we understand them?

By the way, I am really happy to work with whomsoever on giving clearer statements about what we are spending in Scotland and also about our performance in Scotland. I do not know whether you will come on to that point but I would very much like to do that, because getting clarity about those things would be helpful for everybody.

Gordon MacDonald: On that point about clarity, can you confirm that there are internal financial documents that highlight the specific amount of money that is spent in Scotland but that, at present, you are not prepared to release them?

Lord Hall: I can tell you exactly what we are spending on network content in Scotland and on local content in Scotland. Would it be helpful if I ran through our figures?

Gordon MacDonald: Are those the two figures that you have already provided?

Lord Hall: That is the figure of £82.3 million and the breakdown for network content.

Gordon MacDonald: With respect, that includes so many overheads, including overhead share from BBC London—

Lord Hall: No, it does not. It absolutely does not.

Gordon MacDonald: It states that—

Lord Hall: No, it absolutely does not. I would love to get clarity on this point because I think that it would help everybody. The network content of £82.3 million and the total local spend on all our services across radio, television, online and so on is £108.2 million, which—if my sums are right—gets us to £190 million. We have not included overheads and the network contribution in that.

Anne Bulford (BBC): I hope that I can help. The document that I think you were referring to from the annual report and accounts is page 39.

Gordon MacDonald: No, it is page 3.

Anne Bulford: I am sorry. There are two sets. There is the one with the chairman's report in the front and there are the more detailed accounts, but the material is the same. The document shows a breakdown of television spend of £2.4 billion—you will see the figure of 2,367.8 in the table. The first column of £1.8 billion outlines the content spend, which excludes distribution costs, lines and transmission, content and distribution support, and general support, which includes the overheads that you were referring to. Within that, you can see the content budgets for the different services, and under the network supply review, as I understand it, the proposal was that the proportion of the content budgets for BBC One and BBC Two should match the population of Scotland. That is where the overall target of 17 per cent of the nations came from.

Gordon MacDonald: I do not have any dispute about what is in the BBC consolidated accounts. I am asking about the two figures for the local content in network, which includes commissioning budget but also centralised content costs such as studios, post-production, sport and other rights, property, facilities management, information technology, telephony support and maintenance, content, senior management teams, transmission, media storage, training, et cetera, et cetera.

Anne Bulford: I am sorry if our submission has been unhelpful in its clarity. The content spend in Scotland, as explained in the submission, is £190 million. That includes £108 million on television services, the BBC Scotland opt-out and spend on BBC Alba for television services. That £108 million includes £34 million on online, radio, orchestra and BBC Alba, and £73.9 million on television opt-out in Scotland. That £73.9 million includes £35 million of cash spend—that number has been spoken about quite a lot—which is for above-the-line commissioning for writers, directors, artists and production team talent. The other half of that money is the costs of production studios, post production, outside broadcast rights, executive producers, property and IT; all of that spend is integral to the production budget. You would see those costs in any production budget. That spend sits in Scotland; it is part of the spend in Scotland, commissioned from Scotland. That £73.9 million of television spend, which is part of the £108 million, sits there.

The network is the other part of it, and £82 million network spend in Scotland is commissioned through from BBC One and BBC Two.

Gordon MacDonald: I am not disputing the £190 million. You said that spend

"would broadly match that nation's share of the population",

but based on your annual accounts figure, which is summarised on page 3, there is a shortfall in Scotland of £87 million. That is what I am disputing.

Anne Bulford: The point that I was trying to make at the beginning—

Gordon MacDonald: That was about BBC One and BBC Two. I am talking about the total television spend.

Anne Bulford: And the content spend. The distribution, content and distribution support and general overhead support are not included in the percentage—

Gordon MacDonald: That is an extra £15 million or something like it.

Anne Bulford: That is the difference between the £1.8 billion and the £2.4 billion, which goes some way to explaining those differences.

Gordon MacDonald: In terms of the network spend of £82 million, we heard in evidence last week that much of that spend related to programmes such as “Question Time”, the lottery shows, “Homes under the Hammer”, “Waterloo Road”, “Weakest Link” and “Antiques Road Trip”. The BBC said in its submission:

“The BBC helps connect the UK across all of its constituent nations and regions. It is that commitment to reflecting the diversity of the country that has brought some of the best content to the nation’s screens.”

How do the programmes whose titles I have just read out reflect Scotland’s view to the rest of the UK, when most of them are not actually based in Scotland?

11:00

Lord Hall: I will ask Anne Bulford to say something in a moment, but I will say something about that because it is really important.

Speaking of the BBC before I arrived, what was achieved—and what you are going to the heart of—with the network supply review was to ask how we match spending against proportion of the population for television. Things were done that have set up bases and, as the Broadcasting, Entertainment, Cinematograph and Theatre Union said to you last week, provided jobs in Scotland. However, I want us to be more ambitious now. 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—I hate that word and am sorry to use it—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.

Gordon MacDonald: The lift and shift policy has been in place for nine years, so how do you intend to develop a strong and sustainable sector in Scotland to rectify the position that, as perceived in Scotland, production is moved up from London to Scotland for a short time to use up a quota and then, when the programme finishes, the production team just goes back to its original base?

Lord Hall: The word “sustainable” is exactly the right one.

Secondly, we have overachieved against our network commitment. It goes up and down for the reasons that you suggest. This is the important topic that the commissioning review for which I have asked, which will report by the spring, must address. Likewise, when we build BBC Studios and Post Production, we must ensure that it is properly represented in Scotland. BBC studios is really important for in-house production, which matters to the BBC because we are a programme maker and we want to ensure that we get the best programmes not only from indies but from in-house production. We have to ensure that the strengths that we have in BBC Scotland, which are many, are properly represented in production. I want a detailed plan. It depends partly on commissioning and partly on the strength of what we do in production.

The third really important thing is how we can work with the creative industries in Scotland to build—or carry on building—a sustainable television base here, as I was interested to begin to explore with some meetings yesterday in Glasgow. I hope that we can have good conversations with Creative Scotland, the Scottish Government and others about how we can best use our weight and clout to do that.

Gordon MacDonald: Does that mean that, as part of your plan, BBC Scotland will have a higher budget and more control over commissioning in Scotland?

Lord Hall: As far as BBC Scotland is concerned, my plan—it is open for debate, because that is the process we are going through—is for Scotland to control the budget of what is done in Scotland for Scotland. I then want to find the right way to cement BBC Scotland creatively into the UK BBC. We have begun to do that but we can do much more.

Mark Griffin (Central Scotland) (Lab): Thank you for providing your figure of the approximately £200 million that can be attributed to spending in Scotland. You also provided the figure of £323 million of licence fee income. Are you able to describe what the additional £123 million of spending from the licence fee that is not attributed directly to Scotland is spent on?

Lord Hall: In truth, the difference between what the population contributes towards the BBC and what is spent in Scotland is the balancing figure for the provision of all the other radio, television and online services, which I hope that viewers, listeners and online users in Scotland enjoy. Again, I am not being complacent or arrogant about this, but I take some comfort from the fact that we have an 88 per cent viewing figure in Scotland for our pan-UK services, which I think is good. However, we must not rest on our laurels. We clearly have to do more.

Mark Griffin: There have been calls in evidence to the committee and in the press for the BBC to have a more federal structure and for all of the £323 million of licence fee income to be ring fenced, as it were, to a federal BBC Scotland. You mentioned the services that account for 88 per cent of the viewing and listening time in Scotland. Will you set out what the cost would be to BBC Scotland of buying in those services? Lots of people enjoy “EastEnders”, “Match of the Day”, “Strictly Come Dancing” and “Sherlock”. Do you have a figure for the cost of buying those in?

Lord Hall: We do not, so I cannot give you that figure. If you said, “If we give you £10 million, what can we get for it?”—I am putting it horribly crudely; forgive me—I could not tell you that.

I read with real interest the discussion that you had on 5 January with a variety of professors about what the nature of a federal BBC could be. The test for me—it is a test for the Westminster Government and you, too—is how we can ensure that the power that we have globally and the brand of the BBC globally are intact and that that strength is there for everybody across the UK but, at the same time, we reflect and are a creative hub for Scotland, the north of England or wherever. Whatever we do in governance terms has to reflect that, together, if we are responsive and we treat each other as equals, there is a huge amount that we can do.

Mark Griffin: I am trying to understand the financial implications of the call for the BBC to have a federal structure. It has been claimed that the £323 million would automatically boost the creative industries in Scotland by that amount. It would be helpful if you could clarify, in a federal structure, what proportion of the £323 million would go back to buy in the services that, as you said, make up 88 per cent of the viewing and listening time in Scotland.

Anne Bulford: The £323 million is a good licence fee estimate because it comes from the way in which postcodes are allocated, so we can treat it as an accurate figure. The spend directly in Scotland on local services, including all overheads and distribution in Scotland, is £123 million so, broadly, the contribution to all other network

services, all BBC responsibilities and everything around distribution across the UK, including the development of the iPlayer, is £200 million. All those services come through.

If we look at the costs that are directly attributable to Scotland and those that are directly attributable to the network, they show that the spend per head in Scotland is higher than the average across the whole of the UK because of the mix and size of population. There is a contribution from Scotland of £200 million to, if you like, the overall BBC pot for all those network services, which represent 88 per cent of the consumption.

If you were to go through the whole of the BBC and buy on a spot basis all those services right the way across BBC Radio 1, the iPlayer and development through to “EastEnders”, I do not know what the cost would be or how that would work through. In an acquired system, if you are ABC in Australia, you can buy on an acquisition basis individual titles on value. However, what you are not buying is the whole service, such as one that runs across the UK and in which everyone participates in everything. That is the number that contributes back into the whole of the network services, which the people of Scotland are able to access for 40p a day.

The Convener: I want to clarify two points in relation to what you have just said. First, you seem to have ignored the extra money in addition to the licence fee that is generated from Scotland—it is not just the licence fee that the BBC gets from Scotland.

Anne Bulford: Sure.

The Convener: Secondly, if it were the case that BBC Scotland had to buy programmes from the network, the network would have to pay for anything that it bought from BBC Scotland. However, you have also ignored any money that might come from that.

Anne Bulford: Yes.

The Convener: It works both ways.

Anne Bulford: Yes, it would work both ways. However, although we have just been through this, I want to remind everyone that, of that £200 million that contributes into network, £83 million is spent in Scotland.

The Convener: I understand, but I wanted to clarify that it works both ways.

Anne Bulford: It is slightly apples and pears, but I take your point.

The Convener: I want to clarify another thing that you said. You said that the spend per head in Scotland is higher than in the rest of the UK.

Anne Bulford: It is higher than England.

The Convener: You did not say that. The spend in Scotland averages out as £72.10 total spend per capita.

Anne Bulford: That is right.

The Convener: In Wales it is £83.60, in Northern Ireland it is £83.45 and in England it is £52.05.

Anne Bulford: That is correct.

The Convener: So the spend in Scotland is not higher than the rest of the UK.

Anne Bulford: No, it is higher than England.

The Convener: But it is lower than Wales and Northern Ireland.

Anne Bulford: Yes, and it is lower than the average for across the UK, which is what I should have said.

Liam McArthur: I will start as I did last week by declaring an interest, as I have a brother who works as a journalist for the BBC.

I want to take you back to some of the exchanges that you had earlier with Gordon MacDonald. Last week, we heard different views on lift and shift. You pointed—quite fairly—to BECTU's view that that policy had created jobs. However, the accusation was made that there was little value in that over the medium to longer term. One of the witnesses suggested that "Weakest Link" and "Waterloo Road" had come to Scotland to die. That sentiment was in keeping with some of the more florid language that was being used by that witness.

From your perspective—perhaps Ken MacQuarrie can address this—what has been the value of that policy, not just in terms of the jobs it provided but in terms of skills development? If there is no "Weakest Link" or "Waterloo Road", given that programmes have a shelf life, what is the lasting value of that as a base from which to generate the next "Weakest Link" or dramatic production in Scotland?

Lord Hall: I have two points. You are right to say that it is a very powerful and florid use of language to say that programmes come to Scotland to die. No programme makers I have ever met would think like that—they want programmes to succeed, which is really important.

The point that I was making to Mr MacDonald is the right one. I want to get the BBC, with the help of others outside the BBC, to a position where we have a sustainable, vibrant production sector in Scotland. When I was chair of the 2012 cultural olympiad, it was amazing to come to Scotland and see what Creative Scotland was doing then. There

was some extraordinary creativity, and I want to reflect that in our output.

There are things that we can do to cement the BBC much more closely, and that relates to Mr Griffin's point about whether we should make the BBC more transactional between Scotland and the network. We have to get to the point where it is absolutely a team and where the commissioning teams in Scotland and London are looking at how we can make high-quality output across comedy, drama and so on, for the people of both Scotland and the UK, and then for BBC Worldwide to sell globally.

Things are being done in Scotland at the moment that I want to see on the network. To be frank, these things take too long to get to the network. I think that "The Story of Scottish Art" is terrific and I am glad that "Shetland" is coming back. Likewise, I take an enormous amount of pride in the fact that the director, the star and the key writer of "Doctor Who"—a programme that I am addicted to—are all Scottish and two of those are also doing a brilliant job with "Sherlock". That should be our aim: to have a vibrant Scottish writing, directing, journalism scene, which we can then take to the whole of the UK and, beyond that, to the world. We want to partner with people to be able to do that.

Liam McArthur: That reinforces the fact that it is not simply about reflecting Scotland to the Scottish population, the wider UK network or internationally. You have pointed to the example of "Doctor Who", but also "Shetland". I understand that there is an argument that basing "Homes under the Hammer" in Scotland has led to a commission for the production company in question from Channel 4 because of the experience that it had gained from the programme. Likewise, it has been argued that the specialist skills that people have gained on "Weakest Link" have led to commissions for other quiz shows on commercial television, so the spin-off is not always just for the BBC but goes wider.

11:15

Lord Hall: That is completely right. We are seeing that here, but you are suggesting that the quantum should be more. Likewise, we have seen in Salford that the BBC can act as an engine room by commissioning and building a local economy, which means that people have the skills and track record, which then means that they can go elsewhere.

You are also right to say that there needs to be a balance between programmes that reflect Scotland—"Shetland" is a wonderful example of that—and things that could be set anywhere but are made by Scots for a global audience.

The Convener: Ken MacQuarrie, do you want to pick that up?

Ken MacQuarrie: The policy was enormously beneficial for skills development in the sector in that some 70 per cent of the year-on-year spend in the network strategy review has been from the independent sector. We are not complacent. On Mr MacDonald's point about sustainability, that is something that we want to deliver, but we also recognise that we have to go further when it comes to representation.

I would not underestimate the colossal benefit to the skills sector of the hundreds of millions of pounds that has come in and been spent. For example, if you talk to representatives of the community in Greenock, you will hear that they were enormously pleased with the economic impact of "Waterloo Road", which was based in Greenock and provided training and skills for young people.

We worked with Glasgow Caledonian University to train people in script development and we also worked with Creative Skillset Scotland to provide executive drama production courses and get the skills that we require to fulfil all our ambitions. The programmes were enormously important in that respect. However, in relation to Gordon MacDonald's points, we have not gone as far as we want to in terms of sustainability and representation.

Chic Brodie: I will preface my comments by saying that I am slightly more confident than I used to be that things will change radically, although I would hardly draw an analogy with having a Scottish actor promoting development of Scotland—we already have one in California called Sean Connery.

The problem is that the BBC is a monolith and, like all monoliths, it has the potential to go into a death spiral by cutting accountability or not understanding what accountability it has. We just heard some of the numbers and there appears to be no real accountability on the ground. The Royal Society of Edinburgh made the point that

"A stronger governance model with a greater level of accountability to the people of Scotland (as well as Wales and Northern Ireland) is necessary."

The issues are accountability and accounting—it would be interesting to see what management fee is charged to BBC Scotland from the headquarters of BBC UK—management control, in terms of freedom to control; productivity and efficiency; operational performance; and creativity. As part of this renewal of the BBC, instead of creating separate companies as part of a unified BBC, why do you not create a separate company in Scotland where all those things can be achieved and, at the end of the day, give the licence payer the

accountability for what we are actually spending so that we do not have this argument about needing everything in Scotland?

Having read the report, I am surprised that the director general said that he was looking forward to BBC studios, which looks to me like a shuffling of the pack. Its creation, and in particular whether it will become a wholly owned subsidiary of the BBC, has not yet been decided. How can the director general then look forward to it?

Would it not be simpler to set up separate companies, responsible for accountability, performance, efficiency and creativity? By all means have a unified policy, but leave the operational performance to the various nations of the UK.

Lord Hall: I am not as downbeat as Mr Brodie clearly is about the monolith that is the BBC. I am the first director general to say publicly that being regularly held to account by a unitary board, and by a regulator outside the BBC, would give the clarity and accountability required and ensure the devolution of the right things between the centre and important areas such as Scotland. A unitary board can do that in a businesslike and properly effective way. It would be a big change of culture, but we are about reforming the culture of the BBC.

On the issue of the overheads pressing down on Scotland, Anne Bulford, with a bit of help from me, is doing a huge amount to cut back on the amount that we spend on overheads. Overheads sound like a bad thing. However, we depend as a broadcaster on support services and people who work their socks off to make sure that we get our services on air. Nevertheless, we want to make sure that as much as we can gets spent on programmes.

We can work in an effective way for the future of the BBC within a unitary board. I can see how Mr Brodie is thinking about those points. However, there is power in us being together as a big global brand, but with clarity about who is responsible for what. That is something—

Chic Brodie: It would be much simpler if there were a separate BBC Scotland company, albeit as part of the BBC empire. How do you otherwise know, without the accounting mechanism, that you are making cuts or investment in the right place?

We will come to commissioning later but, looking at the diaspora of the Welsh, Northern Irish and Scots, are we doing enough internationally? I know that BBC Worldwide does reasonably well, but we could do a lot better.

Much of the emphasis seems to be on keeping all the elements together, but there is no reason why they should not work in partnership. Effective

management control is required, but it does not exist.

Lord Hall: The BBC is not out of control, if that is what Mr Brodie was suggesting, although I do not think that he is. There is a very effective way of managing the BBC in a simpler and leaner way. In my time at the BBC, I want to make sure that we achieve that and that the creative voice of the BBC, which is the one that matters—the programme-making voice, the people who are filling the airwaves with the content that we love—is simpler, clearer and more responsive.

Finally, you mentioned BBC studios, the plan for which has to go through the trust and all sorts of other steps. I strongly believe in it: I profoundly believe in the BBC's role as a programme maker and want that to thrive and continue. One of the values of BBC studios, as the in-house production arm, will be to ensure that we get the very best ideas from the nations of the UK. That is something that will be increasingly important for what the BBC does. I also want to make sure that we get the very best from the indie sector, as the independent companies make fantastic programmes for us.

Chic Brodie: I will come back to that in a moment. That is shuffling the pack, whereas it is management control that really matters.

The Convener: I am going to stop that discussion because I have a number of issues including commissioning to cover. Mary Scanlon has some questions.

Mary Scanlon: My question is on the same theme of accountability and governance. I noticed that, in your written submission and in your response to Gordon MacDonald today, you never mentioned the Scottish Parliament coverage on the BBC Parliament channel. Is that included in your expenditure? It appeared nowhere in your submission. Is it included in the money that is spent in Scotland?

Lord Hall: I am not too sure whether it is—

Anne Bulford: I believe that it is included as part of the Parliament channel, but I will check that.

Lord Hall: We can get back to you on that.

Mary Scanlon: There is quite a significant amount going out there.

Lord Hall: That is right, but it may come under the Parliament channel as opposed to Scotland spending.

Anne Bulford: Yes, I think that it does.

Mary Scanlon: Yes, but it is being produced in Scotland.

Lord Hall: Yes, it is.

Mary Scanlon: We might even be on the channel, given that you are here today. Who knows? You might have used your influence. *[Laughter.]*

Lord Hall: I hope that that is not the reason for being on the channel. I hope that you are on the channel because you should be on it.

Mary Scanlon: Before I get slapped down by the convener—

The Convener: I was just thinking that. Stick to the subject. *[Laughter.]*

Mary Scanlon: I just like to throw in these bits of information. My question is on the memorandum of understanding in future. Colin Beattie and I are both members of the Public Audit Committee, and when the memorandum of understanding came before that committee, the committee members succeeded in getting a small change to it.

I see from your written response to this committee's supplementary questions that

"Consideration is ... being given as to how statistical information ... including Scotland"

can be

"incorporated"

in your accounts. In order to allow this Parliament to do the job that we are tasked to do, how will the BBC ensure that the information from BBC Scotland, including all the financial information that is contained in the annual accounts, will be made fully transparent so that the Parliament can scrutinise everything that we are looking at today?

We all want more to be done in BBC Scotland, but the convener raised the point last week that the annual accounts that will be submitted will be for BBC UK. I am looking for a commitment that there will be more information to reflect what is happening in Scotland as we move forward.

Lord Hall: We are laying the BBC's annual report and accounts before the Scottish Parliament for scrutiny. I then want to work out the best way to add to that the detail on performance and expenditure in Scotland, and on Scotland in the network, to provide the clarity that will enable you to scrutinise what we are doing and hold us to account.

Mary Scanlon: Although the Public Audit Committee will be looking at the figures, it is for this committee to look at how those best reflect what is happening in Scotland. I hear what you are saying about looking forward to a strong and vibrant Scotland with more decision making in Scotland; you have obviously heard or read last week's evidence. I would like to think that this

process will lead to a much more positive footing and understanding as things move forward.

How will the BBC seek to avoid future arguments about the spend in Scotland? Is it realistic to say, "This is the amount of licence fee paid, so we need all that spent in Scotland"? Should we be looking at quotas? What can we do instead of arguing about what was right and wrong with lift and shift and all the rest in the past? What can we do to use this opportunity, looking forward, to ensure that we are on a good footing in terms of spend and production in Scotland?

Anne Bulford: There are two things to consider. First, the director general spoke earlier about looking at the way in which the service licences currently work and at how we structure those in future, which will be a matter for the governance body in due course on the other side of the charter review. 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.

Mary Scanlon: What does a service licence for Scotland mean practically, in terms of implementation?

Anne Bulford: The service licences are the basis on which we report at present. The amount of money and resource that is allocated to BBC One by genre, for example, is encompassed in a service licence that is agreed with, and administered and monitored by, the BBC trust. All our commissioners and services work within a framework for what we are supposed to be doing. There are service licences for the specific Scottish services, and we need to think about how we could pull those together in a way that is more helpful in giving a view of the whole.

11:30

Secondly, I have found the exchanges about the numbers and how they fit and are reconciled with the group accounts helpful in thinking about how we can best produce information that gives you the line of sight that you want and, indeed, which we need in order to have a meaningful discussion around this table without spending too much time arguing about which number reconciles with what. What will be very useful will be close working with officials on agreeing a framework that we can use when we come to speak to the committee from year to year. That will give us not only good information for, say, this year but the information on trend, which is all important to those of us who spend a lot of time on this stuff.

I know that it can be frustrating to find yourself looking at figures that are presented in slightly

different formats from year to year. We look forward to presenting the accounts as set out in the memorandum of understanding, and it is important that we think about what material needs to come with that in order to aid discussion.

The Convener: I wonder whether you can clarify something, because I do not want this to be a point of contention in future. As I understand it, under the memorandum of understanding you will present the UK accounts and report to the Scottish Parliament.

Anne Bulford: That is right.

The Convener: To ensure that Mary Scanlon, I and everyone else here have absolute clarity, can you tell us exactly what beyond that you will be presenting to the Scottish Parliament?

Anne Bulford: It is very clear from today's meeting and the material that was exchanged ahead of it that we are going to need some agreed format for supplementary information—

The Convener: I know that there needs to be a format, but what I am trying to ascertain is what that format will actually be. Will it be a full set of accounts giving BBC Scotland's income and expenditure, broken down into all the categories that we have been talking about?

Anne Bulford: A full set of accounts will mean different things to different people—

The Convener: A full set of figures, then.

Anne Bulford: The material that we have been talking about such as licence fee income, spend in Scotland and proportion of the network spend is exactly the sort of material that I think you will ask us about. As a result, we need to agree a format for that data to ensure that we can have a meaningful discussion. The detail and format are things that will need to be worked through. I have to say that I do not think that we are in contention on this point.

Mary Scanlon: As I will be retiring in 10 weeks, I can tell you that, although I am a current member of the Parliament's Public Audit Committee, I will not be asking you these questions. To my mind, that committee is very effective, but I have no doubt that the UK accounts will be really of no interest to it; it will probably ask for, as the convener has suggested, a breakdown of income and expenditure and something that more reflects what is done in Scotland. Is that something that you will work positively on with that committee?

Anne Bulford: Yes, but the key point is to make it clear how that information fits into the group accounts. That will avoid a lot of the complexity.

George Adam (Paisley) (SNP): Good morning. I want to talk about commissioning, particularly with regard to television content. I take on board

everything that Tony Hall has said so far about his ambition and about the review and the fact that there is an issue that he wants to deal with. Last week, however, some witnesses told us in evidence that they felt the commissioning process to be quite archaic and that they found it difficult to put forward any content. How can we enhance commissioning for Scotland?

Lord Hall: Our aim is to have a simpler and more direct commissioning process. I think that you know how commissioning works at the moment: there are the controllers for BBC One, BBC Two and so on, and then there are commissioners by genre, who work to the controllers and who sift, nurture and build ideas. Four such commissioners work out of Scotland. I have asked television—Mark Linsey—to examine how we can make the system much more porous, simpler and more in tune with what I have picked up when I have spoken to people in Scotland, Wales, Northern Ireland or, indeed, the north of England. It is 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.

BBC One and BBC Two are in fine fettle and are doing extremely well at the moment—I am not for one moment saying that we are not in good creative shape. We are in very good creative shape, but we can respond more creatively to some of the questions that people are asking us.

George Adam: You say that four commissioners are working out of Scotland, but what do you mean by that? I know that there are four commissioners, but are they based in BBC Scotland?

Lord Hall: They are based in Pacific Quay. They work across the piece for television—they work to the controllers. I can tell you who they are: there is a commissioning editor for factual, one for comedy, which is good, Jo Street for daytime, and a commissioning editor for entertainment.

One of the things that we need to ask is whether that matches the sort of output that we would like to develop and work with in Scotland. Do we need to look at other things that we might do from Scotland? Our arts programming from Scotland is amazingly strong. That is all part of what we are looking at now.

George Adam: You brought up the fact that you are a big fan of “Doctor Who”; I am as well, so you are my excuse for talking about it. I like it even more now because, as you stated, the showrunner Steven Moffat comes from my home town of Paisley. That is a good example—

Lord Hall: He is a genius.

George Adam: A genius?

Lord Hall: To be able to run, in his head, “Sherlock” and “Doctor Who” all at the same time and to deliver so much—I do not know how he does it.

George Adam: It is just the way that we are brought up in Paisley.

Lord Hall: Can I bottle some of that and have it?

Chic Brodie: He means that they are two-headed.

George Adam: In relation to commissioning, I will use two shows in the same genre as examples, because I know that you commission by genre as well. Basically, “Doctor Who” happened in 2005 because the BBC wanted to revive it. The show went down to Wales because the BBC wanted Russell T Davies, and he said that he wanted to do it in Wales. He decided that it was going to Wales; it was not something that organically came from Wales.

“Life on Mars” is another example from the same genre—that came about in 2006, which is about the same time. It was originally written to be based in London, but because you had the production facilities up in Manchester everything was changed to base it in Manchester.

How can we get to a situation in which all the parts of the BBC—particularly, for us, BBC Scotland—organically feed into all of that so that classic drama shows of the type that there has been in the past, such as “Tutti Frutti”, get on to network television. I am talking about shows that come from Scotland but which are not particularly about Scotland.

Lord Hall: That is a big question. You are exactly right to use the word “organically”. That is how I think that a properly networked BBC should operate. We should be looking at things that can be sustainable in Scotland, in the way that “Doctor Who” is at Roath Lock.

George Adam: In the evidence that we received last week from Professor Blain and Professor Beveridge, they suggested that it might help the commissioning side of things if, for example, BBC Two was moved lock, stock and barrel into a big container truck and brought up to Pacific Quay. That could be a way of looking at one of the major channels, although it would be a major commitment by the BBC to do something along those lines. A lot of the independent producers who gave evidence liked that idea, because there would be a major player right on the doorstep. What do you think of the idea of a major channel coming up to be based in Pacific Quay?

Lord Hall: Let me put that another way. The BBC now has half its spending and half its people

outside the M25 and London, which is a good thing.

George Adam: That happened because you moved all the news to MediaCityUK.

Lord Hall: I would like to see more of what we currently do centrally in London move out of London. The question is whether that should involve a channel or something else. I do not know.

I will go back to something that I feel very strongly about in relation to the BBC: why I think that, organisationally, we need to bind ourselves together as closely as we can. One of the strengths of the BBC is that it should be integral to and part of the nations that make up the UK, working really effectively in the nations of the UK while at the same time being global. That is an enormous strength for Scotland and for the UK, and I want to make sure that we reflect that in what we do. To add to that theme, I watched “Breakfast” this morning, and it feels different coming from the north. It is interesting that the perception of the BBC in the north of England is better now that we are in Salford. That is an important point.

The Convener: You mentioned four commissioners who are based in Scotland—I think that that is what you said. One of the arguments about lift and shift is that, sometimes, the trolley arrives at Pacific Quay on Monday and leaves on a Friday. When you say that those commissioners are based in Scotland, do you mean that they live and work here?

Lord Hall: By “based”, I mean that their primary place of residence is Scotland.

The Convener: So they live and work here.

Lord Hall: Yes. I am absolutely certain that their mortgages are here and that their families live here. That is how I interpret it.

The Convener: I ask that for clarity because people have suggested otherwise. Do those four commissioners commission work for Scotland? Are they Scottish commissioners? Do they commission using the Scottish commissioning budget?

Lord Hall: They are network commissioners and there is a separate set of commissioners who commission for Scotland. Perhaps Ken MacQuarrie can talk about them.

The Convener: I will come on to that in a second. Can those commissioners take the final decision on commissioning, or does the final decision rest not with them but in London?

Lord Hall: The final decision for anything always involves a long conversation between a controller and a commissioning editor. Clearly, if

we trust a commissioner and know that they do good work, we will go with what they say. The whole of the creative industries is based around such conversations.

The Convener: Yes, but who eventually decides the endpoint of those conversations?

Lord Hall: In the end, somebody who controls BBC One or BBC Two will say, “That’s the kind of programme I want.” However, life in the BBC ain’t like that because there is usually someone who believes in something, who is passionate about it and who argues a good case, so such matters are discussions.

The Convener: I take that as a yes—that London finally decides.

Lord Hall: The controller would finally decide, but I do not want you to think that it is—

The Convener: I did not suggest that it is dictatorial; I suggested that that is where the final decision is taken.

What is the commissioning budget for BBC Scotland?

Ken MacQuarrie: In programme making, the commissioning budget for BBC One and Two Scotland is £67.9 million but, as we indicated, that also covers sports rights, property, FM, IT and telephony. That is what we need to make the programmes, so that is the total.

The Convener: I understand and accept that. How much of that budget does a commissioning editor have to spend at his or her discretion?

Anne Bulford: I will answer that question because I spoke about that earlier.

The commissioning budget for television in Scotland is divided into two parts. There are the cash elements of the individual programmes, which are sometimes described as the commissioning budgets—they are the allocations for talent and directors, for example. Then there is the element for studios, post production, outside broadcast and all the other material that is needed to make the programme. That is held in Scotland but is not referred to in the same way as the cash commissioning budget. The combination of the two gets us to the commissioning budget for Scotland.

To be clear, those elements are not somehow controlled from London. They are the studio, outside broadcast and post-production facilities—the editing stuff—which are part of the budget.

The Convener: I understand that. I am trying to find out the actual budget that a commissioning editor in Scotland has discretion to spend.

Anne Bulford: They have a cash budget of £35 million and an allocation of the resources that goes with it.

The Convener: I understand that. So they have a cash budget of £35 million.

Anne Bulford: Yes, and then the resource allocation that comes with it, because they cannot make the programme without the other half.

The Convener: I understand that and am not trying to suggest otherwise.

Anne Bulford: That takes us back to the figure of £70 million in the round.

The Convener: So they have a cash budget to spend at their own discretion.

How many of the programmes that BBC Scotland makes for the network are commissioned by BBC Scotland?

Ken MacQuarrie: Let us take the example of “Stonemouth”. BBC Scotland funded that drama with the network; we had local funding for it and it went on to the network. We also try to ensure that as much of the programming that we make locally in Scotland appears on the network—we call that “nations to network”. Often, the primary decision on all that is made in Scotland, including programmes such as “Stonemouth” that eventually appear on the network, rests with Ewan Angus, our television commissioner.

The Convener: I am trying to differentiate between those programmes and the lift and shift productions. The lottery show was not commissioned by BBC Scotland, for example.

11:45

Ken MacQuarrie: No.

The Convener: But it appears on the network. It is made in Scotland and it appears on the network, but it was not commissioned by BBC Scotland.

Ken MacQuarrie: No, absolutely not.

The Convener: I am trying to differentiate between that type of programme and programmes that were commissioned specifically by BBC Scotland and appear on the network. You can give me the total if you like, but I would also like the breakdown for those two groups.

Ken MacQuarrie: The breakdown for BBC One in 2014-15, including all the figures, was £49.4 million locally—

The Convener: Sorry—what is the £49.4 million?

Ken MacQuarrie: The £49.4 million includes the direct cash budget and all the sports rights and other rights—

The Convener: What was the £49.4 million for?

Ken MacQuarrie: It was for BBC One Scotland, for the programmes that would opt out.

The Convener: So those are programmes that are commissioned in Scotland, not for the network—

Ken MacQuarrie: Not for the network. For BBC Two, the figure that we supplied you with for local content by service was £18.5 million.

The Convener: Does that figure include the news?

Ken MacQuarrie: Yes.

The Convener: Right. Let us take the news out of it. What is the figure without the news?

Ken MacQuarrie: For the figure without the news, we would need to extrapolate. We would have to come back with a calculation—

The Convener: Give me a rough estimate.

Ken MacQuarrie: If we take out approximately £14 million to £15 million for the news, that would give us the figure.

The Convener: What is the actual budget for BBC Scotland-commissioned programmes, without the lift and shift stuff, and excluding the news for obvious reasons? That is what I am trying to get to.

Ken MacQuarrie: The budget for BBC Scotland?

The Convener: Yes.

Ken MacQuarrie: I have given you the figures. If you take the news out of it, we are at a figure of approximately—

The Convener: It is £35 million.

Ken MacQuarrie: The figure of £35 million is the direct cash spend for—

The Convener: No, no—hang on a second. Let us go back. I am sorry about this, but you said that it was £49.4 million—

Anne Bulford: For BBC One.

Ken MacQuarrie: For BBC One.

The Convener: Yes, I understand that. That figure was for cash and all the other fixed costs. If we take out whatever you said—roughly £15 million—for news, that takes us back down to approximately £35 million, or just under £35 million. Therefore, the £35 million was not only for cash spend at the discretion of the commissioning editor but for the fixed costs.

Ken MacQuarrie: If we take the total figure for the local spend, which is of the order of £68 million, and if we take off the £16 million for BBC

Alba, we are down to a figure of approximately £52 million across BBC One and BBC Two.

The Convener: Let us not go back through it. I accept that. Gordon MacDonald has a question. On you go, Gordon.

Gordon MacDonald: It is a quick supplementary on the figures that Mr MacQuarrie has just given. I am a wee bit confused. The management review numbers for 2014-15 show 882 hours of local television in Scotland, 80 per cent of which was news, current affairs and sport.

Anne Bulford: By hours.

Ken MacQuarrie: By hours.

Gordon MacDonald: By hours, yes. Are you saying that the remaining 20 per cent used the spend disproportionately?

Anne Bulford: Yes.

Ken MacQuarrie: Yes. The cost of genres outside news is much higher. For drama, high-end factual documentaries and entertainment, and for comedy in particular, the costs are much higher. The figure that we have given you for 2014-15 was £67.9 million, which includes the news, as we have just discussed.

Gordon MacDonald: Given that 80 per cent of BBC Scotland's output is news, current affairs and sport, and given the earlier talk of a separate service licence agreement for Scotland, how do we change the proportion of output—important as news and current affairs are—to be more reflective of the network? News and current affairs make up only 22 per cent of the network, in comparison with 61 per cent in Scotland.

Ken MacQuarrie: We have invested in news in Scotland, because obviously there will be—

Gordon MacDonald: I am thinking of the non-news aspect.

Ken MacQuarrie: The non-news aspect is part of the discussion that we are having here today. The mix will be decided in relation to giving the audience best value.

Gordon MacDonald: There is a disparity, given that 61 per cent of Scotland's local output is news, whereas news makes up only 22 per cent of network output—in fact, it is 15 per cent of network output if we exclude sport.

Ken MacQuarrie: Yes. In terms of total BBC services in Scotland, news makes up a higher proportion of our overall offer to Scotland than in the network.

The Convener: By a considerable way.

Gordon MacDonald: If we want to reflect the diversity of the nations and regions in the UK,

surely the proportion of non-news emanating from Scotland should be substantially higher and closer to the network proportion, which is 85 per cent if we strip out the news and current affairs element alone.

Ken MacQuarrie: In terms of ensuring that audience need is met, we can discuss what the balance between news and non-news should be over the new charter process. At present, however, we have laid out the detail of spend by genre in response to the committee's supplementary questions, and that gives an indication.

In terms of hours, because we are addressing all the needs of the populace as far as democracy is concerned, the news will always be a substantial part of our output in Scotland. We need to consider the right balance with regard to the consultation responses to the BBC Trust and the Department for Culture, Media and Sport, and we need to look at where we deliver the best value to the audience.

The Convener: Chic Brodie has a brief supplementary.

Chic Brodie: It is brief. I will move away from the numbers, because clearly we do not know what the numbers are. To avoid circumlocution on my part, I expect to see a full set of accounts with supporting evidence and supporting information. I say that as a former financial director of a large company.

Earlier, the director general referred to indie producers. Does the definition include an independent producer that might also be a broadcaster?

Anne Bulford: It includes non-qualifying independents, which include independents that are owned by broadcasters. For example, ITV Studios would count as non-in-house production and would be labelled as indie and as a non-qualifying independent for the purposes of the quota.

Chic Brodie: Under the quota, does that mean that STV, as a broadcaster, is able to produce programmes for the BBC?

Anne Bulford: STV does indeed produce programmes for the BBC. Its status under the regulation is as a non-qualifying independent.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I am looking at the BBC's submission. The pages are not numbered, but I am referring to the third paragraph on the second page. It states:

"the BBC is also proposing to remove its overall in-house guarantee of 50 per cent",

which basically means 50 per cent outside London. There is a positive spin on that in the submission, but is it not a double-edged sword? It could go the other way.

Lord Hall: The 50 per cent is a guarantee for in-house production for television production overall, with 25 per cent for indies and 25 per cent as the window of creative competition—or the WOCC, as it is called. We have said to the Producers Alliance for Cinema and Television and others that if our in-house production, also known as BBC studios, can be given the ability to tender for work outside the BBC—because every time I meet in-house producers they are tripping over themselves to offer me ideas—we could at the same time liberalise, as it were, our current commissioning arrangements to say that there ought to be freedom for indies to compete with in-house production across the piece, except in areas of current affairs and in some parts of children's television and sport.

Colin Beattie: How would you ensure that there is no deterioration in the ratios?

Lord Hall: I believe that in-house production is really important for the BBC, and I think that the way that it has been run organisationally, which is as part of television, does not match the world that we are now in. I want creative leadership for in-house studios so that we can sell programmes not just in-house, but outside. That makes a big difference, because if the controller of BBC One had an in-house idea coming at them, but an indie said, "Do you know what? I might take this to ITV," it is just possible that that controller might say, "Do you know what? I'll favour the indie." I just do not know.

I want our in-house producers to have the same jeopardy that outside people have. I also believe in the ability of our people inside when they are freed up to compete. I believe in competition: the best ideas should win, as the growth of the indie sector over the past decade or two has shown. I would love the same ability for our in-house producers. They are really good people and I believe in them. That is the way to secure in-house production and programme making in the BBC for the future.

Colin Beattie: We have talked much about the aspirational future with the BBC, but what is the BBC's current strategy for developing the creative industries in Scotland?

Lord Hall: Perhaps Mr MacQuarrie wants to answer that.

Ken MacQuarrie: We are working with Creative Scotland and participating in an on-going group that is looking at what the right arrangements for the screen sector in Scotland are. In all those groups, we have an on-going dialogue with Creative Scotland, the industry and the producers

in Scotland that is absolutely participative. Similarly, we work very closely with the bodies that deliver training, and we are proud of our record in developing apprentices, providing introductory courses in the BBC and making the whole of the training of the BBC academy available, whether to the independent sector or simply the freelance sector in Scotland. We are proud of that work and we work as actively and proactively as we can with the various players in that regard.

Colin Beattie: You talked about trainees and apprentices. Obviously, quite a number of them are employed by BBC Scotland. How many of them ultimately find employment in Scotland? Is it correct to say that a disproportionate number gravitate towards London?

Ken MacQuarrie: We have a good record of finding employment for the apprentices in Scotland. Some gravitate towards London and some come back; the workforce is very mobile. We are happy to look at the exact percentage for the committee, but that has worked well for us historically.

Colin Beattie: I would be interested in seeing the figures for that.

Lord Hall: We should give the committee those figures.

I strongly believe in apprenticeships. In my previous life, I did a lot of work with the creative skills councils on apprenticeships. It is interesting that when I arrived at the BBC I said that I would like to have apprentices make up 1 per cent of the BBC's workforce by the end of the charter period—the end of 2016. In fact, I think we got there by the end of 2014.

The really important thing about apprentices is that they are locally based. Forgive me for referring to England, but apprentices are attached to local radio stations there, and that means that people who cannot afford to go to London or a big city are trained, are able to live at home and are part of the locality. That approach has been really successful.

We will give the committee the rates for what happens to the apprentices when they are through their training. I want to continue all the apprenticeship schemes. That is really important for the BBC and the apprentices.

Colin Beattie: Should the charter specify the BBC's role in supporting the talent and skills across the creative industries in Scotland? If so, how would you measure that?

Lord Hall: I am very supportive of the amendment to the purposes of the BBC including being part of the creative industries as part of our role. We would then have to measure: we would look at the value added and the contribution to the

economy. You are completely right, Mr Beattie. We need to work out ways of being able to demonstrate that without peradventure.

12:00

Colin Beattie: What would be a measurement of success?

Lord Hall: Apart from employment and other things that we talked about this morning in relation to the quality and amount of output, one measure for me would be the value that is brought to the creative economy. From the time of Liverpool being the city of culture onwards, I have been very struck by the analyses that demonstrate that £1 spent brings in another £4 or £5.

I hope that we can build on what BBC Films does. I love BBC Films. It does remarkable work nurturing talent, bringing relationships together and bringing in funding. We put in £1 and bring in £4 to £5. That is an important demonstration of what the BBC can bring to the creative economy.

As Ken MacQuarrie said, I want the BBC to work in its open and partnership way with the creative economy in Scotland to help deliver what I know you want.

Colin Beattie: I have one last question. How will you respond to the calls for parity between your in-house production for BBC Alba and that for S4C in Wales?

Lord Hall: We met BBC Alba yesterday and had a very interesting conversation. There are some budget issues that we want to resolve. Where we got to—I say this, but of course it must say it too—is that I want us to have a creative review of where we are with BBC Alba and to see what we can do together to build on the partnership that we have already. It is a really good partnership and we have to see how we can take it into the future.

One thought that came to me when I was watching “Bannan” over the weekend is how we can see whether there are things that BBC Alba does that can link in more with what the BBC is doing overall. That depends on contracts and all sorts of other things. “Bannan” is one thing that, in my view, should have an outlet across the whole UK and not just on BBC Alba. Equally, we should build on what BBC Alba is doing on music. I am very keen that BBC music is a brand that is in the DNA of the BBC and everything that we do, and that we find ways of aggregating that for our audiences in the future. Obviously I think that BBC Alba has an important role in that too.

The answer is that we are having a conversation that I hope we can move forward.

John Pentland (Motherwell and Wishaw)

(Lab): I am not sure whether I picked you up wrong. You take on 10 apprenticeships every year. Are they trained in London? If that is the case, have any apprentice journalists been based in Scotland?

Ken MacQuarrie: The apprentices are based in Scotland and we work with other tertiary education providers to ensure that they get formal accredited training.

John Pentland: Are any of them apprentice journalists or anything like that?

Ken MacQuarrie: Some of them have aspirations to be journalists. They rotate through the BBC on a variety of placements and can find themselves in news, factual or education work. They rotate on that basis.

Lord Hall: Away from apprentices, we have also been working on a big initiative called make it digital, which came from a conversation that I had with some big tech companies. They said that the three languages that we will need to know in the world in the future are English, Chinese and coding. I think that we would all agree that Britain needs to get better at coding. As part of that, we have taken on digital trainees from within and outside the BBC. That is the sort of thing that can be helped by the BBC working in an open way with others, because we all know that coding and digital literacy are absolutely essential to the future of our economies.

John Pentland: Finally, given the amount of money that Scotland pays into the pot overall, do we get enough back, proportionately, to train apprentices?

Ken MacQuarrie: Overall, it is something that I believe in passionately. The future of a digitally skilled workforce is an important issue. It is something that we need to keep under review to make sure that we have the right number of placements, the right spend and also, critically, the right training, so that we have a workforce that is fit for a digital world.

Mary Scanlon: My question is on the portrayal of the BBC in the different nations. Your submission indicates that a higher percentage of viewers in Scotland, compared to the UK as a whole, consume BBC One, Two and Three and an equal percentage BBC Four. Also, in the figures that we received last week from the BBC Trust on audience appreciation, there was a less than 2 per cent difference between the different nations—that is not really anything to talk about. The thing that jumped out at me, however, was that BBC Radio’s reach in Scotland is 57 per cent, compared to 76 per cent in Wales. Is there something wrong with the BBC infrastructure? Could it be improved in

order to increase that reach? It is well below the national average.

Lord Hall: I am sorry; I cannot answer that if it is in the infrastructure, but—

Anne Bulford: It is not a distribution issue.

Lord Hall: It is not distribution? Let us check that it is not.

Mary Scanlon: In the absence of the BBC Trust being at the committee, I wanted to make the point that there will only be appreciation if you have the reach.

Lord Hall: That is completely right.

Mary Scanlon: Is the BBC keeping pace with the changes in Scotland? The pace of devolution is increasing by the day. The figures that we have in front of us show that the portrayal, perception, appreciation and acceptance of the BBC are pretty similar in each nation of the UK. Are you keeping pace with devolution and is the appreciation of your audiences in Scotland equal to that of the rest of the UK?

Lord Hall: I am delighted about the 88 per cent figure that we talked about earlier. In the top 20 programmes, as you correctly say, five are Scots-made and the others are pan-UK programmes. The audience appreciation figures are more or less flat.

I hope that I made it clear in my opening statement that there is more to be done on news and also on how Scotland is portrayed. How we do that and what we do is in my mind—

Mary Scanlon: Do you mean that there is more to be done in Scotland?

Lord Hall: In Scotland and in the rest of the UK.

Mary Scanlon: But you do not see any difference in the appreciation of the BBC by the Scottish audience compared to audiences elsewhere in the UK. That is what your figures are saying.

Lord Hall: I want to make sure that the support that we have for public service broadcasting and the support shown in the figures for Scotland continues. I will write to you about the figures you gave me on reach for BBC Radio.

Mary Scanlon: It would be helpful if you would write to the convener.

The Convener: I am looking at the time. A number of people want to come in, so I will move on very quickly to a question from Liam McArthur and then one from Gordon MacDonald.

Liam McArthur: The director general is responding to pressures that are very evident in Scotland. You have alluded to similar pressures in

other regions in England, and I dare say that Wales and Northern Ireland make a very similar case.

The international audience is more disparate and pressures are not emerging from them. Is there a risk that the World Service and international reach will be pared back in order to accommodate all that you are having to take on domestically?

Lord Hall: Thank you for the question. I should add to or correct something that was said by one of the witnesses to the committee last week.

I made a strong argument at the time of the settlement in July that I wanted to come back to the Chancellor of the Exchequer on a number of points. One of those was in relation to the World Service, because I believe very strongly that the UK together has a powerful voice to the globe through the World Service in particular—soft power, I suppose you would call it.

I was very pleased to say that we won an agreement from the chancellor for an extra £85 million—that is new money coming into the BBC—because we made the arguments about the importance of what the UK can offer globally through the BBC World Service, as soft power. That arrangement was very separate to those that we came to last summer.

The Convener: Thank you for that.

Gordon MacDonald: I have further questions on the network TV numbers. You said that you spent some time reading through the submissions that we have received. I hope that you had the opportunity to read the submission from Matchlight, because how they felt the system was being manipulated is very important. Matchlight's submission says:

“a Lift & Shift producer need spend as little as 5% of a production's total budget in Scotland for 100% of that budget to be counted as Scottish and set against the Nations' quota”.

What are your views on that?

Anne Bulford: The definition is set out in regulation by Ofcom and for a programme to qualify as Scottish it needs to meet two of three criteria. The criteria are that the programme must have a substantial base in Scotland, which means usual place of employment for senior management, that it has to have 70 per cent of the production budget spent in Scotland, excluding onscreen talent, archive and copyright—so that is quite a high hurdle—and that it must have more than 50 per cent of production talent based in Scotland.

Gordon MacDonald: Who sits down and looks at those criteria?

Anne Bulford: The criteria are examined at the point of commissioning by an independent assurance mechanic within the BBC. They are looked at again at the end of the production process and are subject to audit and review by Ofcom on a sample basis. The process is not without regulation. It is not the case that every programme that begins as a Scottish production ends as a Scottish production. If, when the work is done, two of those three criteria are not met, the programme cannot count as a Scottish programme and it does not—we take those out.

Gordon MacDonald: We were given the example of a fictitious television programme. Can you give us a live example of a programme that has been put against Scottish production, where not all the spend was in Scotland?

Anne Bulford: I cannot. In order to be counted as Scottish, you have to meet two of the three criteria. We have examples where programmes—

Gordon MacDonald: Where is that information held? Is there information on how a programme meets the criteria?

Anne Bulford: Yes.

Gordon MacDonald: Could you write to the committee and say, for example, that a particular programme had 35 per cent spend in Scotland, or that one had 65 per cent spend?

Anne Bulford: The mechanic, in terms of the definition of independent, which we spoke about earlier, and the definition of regional, which is the Ofcom title, is subject to a regulatory process and is monitored by our independent regulators.

Gordon MacDonald: You just told me that those figures are available.

Anne Bulford: We would have to think about how we deal with all that because it is material that comes in from independents.

Gordon MacDonald: You said earlier that we need to remove the lack of clarity on this subject and that is what I am asking you to do.

Anne Bulford: Of course, but I am saying that it is not an unregulated process.

Lord Hall: Let us see how we can help.

Anne Bulford: Yes.

Gordon MacDonald: It would help us to understand whether the concern that figures are being deliberately manipulated should be taken seriously or whether it is an issue that, although someone has a concern about it, does not stand up after we have seen the evidence. It would be good for you to provide some clarity on that.

Anne Bulford: I am very happy to help, Mr MacDonald. The only point that I am making is

that there is an interrelationship with the regulator on the matter so we need to think about how we handle the information.

Gordon MacDonald: I appreciate that.

Anne Bulford: Thank you.

Gordon MacDonald: In terms of the quota of 17 per cent for the nations and regions, should Scotland have its own quota?

Anne Bulford: It does. That target is 8.7 per cent.

Lord Hall: Yes, it is 8.7 per cent and we are exceeding it.

Gordon MacDonald: In regulation it sets out a grand total of 17 per cent and does not specify a target for Scotland.

Anne Bulford: The 8.7 per cent is referred to in the accounts and that target has been exceeded.

Gordon MacDonald: I apologise if I have got that wrong.

Lord Hall: Again, we can show our progress against that over the last few years. We can send you those figures if that would be helpful.

Gordon MacDonald: Should the Ofcom definition be changed to reflect ownership of intellectual property and retention of profits?

Anne Bulford: I am sorry, what is your question?

Gordon MacDonald: Should the definition include another criteria test that determines who ultimately benefits from the profit of the production and also who retains the intellectual property?

12:15

Anne Bulford: The definitions used by Ofcom have been looked at again and again over the last 20 years. It is a mechanic that has worked across the industry for a long time. Changing a definition has all sorts of unintended consequences. If, for example, an independent production company were to be acquired by a US studio, that would potentially alter its Scottishness if you had changed the definition, and that might or might not feel fair to the individuals concerned.

There are a lot of issues around changing definitions to deal with potential concern A as opposed to potential concern B. It is tricky territory and there has been a lot of debate about it over a number of years. My view is that the definition runs across the whole of the industry, it sits, we have had it for a long time and everybody understands how it works. It is best to try to make it work well.

The Convener: Can I just check something? You have said the word regulation several times. It is not a regulation, is it? It is not in regulations.

Anne Bulford: Which? The definition of—

The Convener: Ofcom cannot make regulations.

Anne Bulford: Ofcom is the regulator.

The Convener: It is the regulator, but you defined them as regulations when they are not regulations. It is a formula that you are not enforced to adopt; you decide to adopt it.

Anne Bulford: We decided to adopt it, but the definition of a regional independent is established with Ofcom, as I understand it.

The Convener: It was the use of the word regulation that I was querying.

Anne Bulford: I am sorry if that has been confusing, but it is an industry-wide mechanic monitored by Ofcom.

The Convener: I accept that. It was the use of the word regulation that would perhaps give the wrong impression as to what it was.

Anne Bulford: The point that I was trying to get across was that it is not a set of definitions that is used only by the BBC and is not subject to any sort of scrutiny. It is subject to scrutiny.

The Convener: Finally, the thread that has been running through much of the discussion last week and this week has been about the amount of autonomy that BBC Scotland has, our interest in the future success of BBC Scotland, and its importance to the creative industries and the wider economy of Scotland. I ask Tony Hall to outline for us his view of the idea that there should be further devolution of the BBC to BBC Scotland.

Lord Hall: I start off with this principle. We went into whether the term “service licence agreements” means anything to anyone, but I feel very strongly that those services that are for Scotland should be determined within Scotland, both the nature of the services and the amount of money in the envelope that is agreed across the BBC for them. Those services should be nurtured, their performance should be assessed, any changes, if there are to be any, the balance of the services—we were talking earlier on about news versus comedy versus drama—all those things should be determined within Scotland.

There is then another set of relationships, which concern how we can work most effectively under a unified board if that is where we are heading. Other people will make up their minds about that, not me. How can we ensure that Scotland is properly represented at the pan-UK and global level through the board of the BBC?

The Convener: Perhaps you are not going to answer this, but I am trying to get you to say what degree of autonomy you believe that BBC Scotland should have in the future.

Lord Hall: Perhaps the word “autonomy” is what I am finding difficult to define, in the way that federal is difficult to define.

The Convener: I am trying to avoid the word “federal”, but I am also trying to suggest that at the moment there is not sufficient devolution of budget, commissioning and so on.

Lord Hall: I want the director for Scotland, as indeed I want the director for Wales, to have more power to decide the services that the people of Scotland want for Scotland. I also want the director for Scotland to have a powerful voice in determining what the BBC does as a whole, because I really believe that there are things that the BBC together can do nationally in Scotland, nationally across the UK, and globally as well, and I want that voice to be heard.

The Convener: I thank you very much, and I also thank Ken MacQuarrie and Anne Bulford for coming along. We appreciate your time in coming to the committee; it is very welcome.

Lord Hall: Thank you, convener.

12:19

Meeting suspended.

12:24

On resuming—

The Convener: We move on to our second panel. I welcome Fiona Hyslop, Cabinet Secretary for Culture, Europe and External Affairs, and her officials. Good afternoon. I apologise for the delay and thank you for waiting. I invite the cabinet secretary to make a brief opening statement.

The Cabinet Secretary for Culture, Europe and External Affairs (Fiona Hyslop): Good afternoon and thank you for the opportunity to discuss such an important matter. I am pleased to contribute to the committee’s inquiry and to build on the written and oral evidence that you have considered.

The BBC is a hugely important cultural institution and our interest in its future is rooted in the strongly held belief that public sector broadcasting is a vital part of our social, democratic, cultural and economic life. It is time for BBC Scotland to be empowered and resourced to be bold and creative for Scotland.

The Scottish Government proposes a federalised BBC that would allow BBC Scotland to control decision making in Scotland, independent

of Government—I emphasise that point—in order to strengthen and grow the industry and Scotland's creative sector. That would be a win-win for viewers in Scotland and for viewers across the rest of the UK. I am keen to work in partnership with the BBC to achieve that goal, both within and outwith the charter renewal process. We should all appreciate that the BBC can do much outside its charter renewal to improve its service to the people of Scotland.

I want to be clear that this is not about a desire to control the BBC or dictate what kind of services are delivered; it is about ensuring the BBC's long-term future in a way that benefits both the BBC and Scotland. The BBC cannot be deemed to be meeting the future needs of the UK's nations and regions unless it thinks about Scotland differently.

We have worked hard with stakeholders from across Scotland to understand the issues and to develop a position that we believe has support and credibility. I thank those who have engaged with us for the quality and thoughtfulness of their contributions, as well as for their time.

Our ask is simple and widely shared: we want the BBC to be structured in a way that better reflects the needs of the nations and regions that it serves. A federal structure that empowers BBC Scotland to take full control over decision making about how revenue that is raised here is spent and full control over commissioning and editorial decisions would have an enormously positive impact and would enable BBC Scotland to take a long-term strategic approach to delivering sustainable, high-quality programming for the benefit of Scotland's diverse industries and audiences, the UK audiences, the global market and the creative sector. That could also support additional platforms with content from Scotland, which could lead to new digital TV and radio channels during the new charter period.

Bearing that in mind, I welcome the recent publication of the figures that set out how BBC Scotland spends its resource. It is hugely helpful to have those figures, as they help to inform the conversation that the Scottish Government is having with the BBC.

I have followed with interest the previous evidence sessions, including the panel that the committee just heard from. I have also been involved in and have considered the work of the Economy, Energy and Tourism Committee, which, earlier in 2015, expressed its views on the value of BBC spend for creative and economic impact in Scotland.

I look forward to discussing all the issues with the committee.

The Convener: Thank you. We hope to keep the questions and answers reasonably brief so that we can get through as much as possible.

You will have heard me ask Ken MacQuarrie and Tony Hall about the BBC plan for the future of BBC Scotland, which is unanimously supported by the BBC Scotland management team. Are you aware of the detail of that plan and what is your view on it?

Fiona Hyslop: I am aware that a view was expressed in the BBC network plan that a way forward that would allow Scotland to be bold and ambitious and take a strategic lead in all the aspects of economic and creative impact, as well as serving audiences, would be to have an additional television channel and additional radio content. There is a big challenge in radio, although a lot of the focus is on television. That proposition would have been an extremely positive step forward, but I understand that the restrictions that were imposed on budget settlements by the UK Government's position on licensing for over-75s meant that the BBC pulled back from it.

What we propose is not alien or different from the ambitions in Scotland. The issue is the capability that BBC Scotland has to produce with the resources that it has. Even with transfers of current resources, it is perfectly possible to be ambitious about decision making, commissioning and economic and creative impact in Scotland. The Scottish Parliament previously supported the idea of having an additional channel when it considered the Scottish Broadcasting Commission and digital channels. It is disappointing that that did not see the light of day in the proposition that the BBC put forward in going into the charter renewal process.

Gordon MacDonald: Does Scotland get a good deal from the £323 million of licence fee money? RTÉ gets four channels and four radio stations for €312 million, which equates to £234 million. Last week, Professor Blain said:

"The Republic of Ireland has a smaller population than Scotland so, if we are looking at what is imaginable, Ireland provides a good model ... I have no difficulty in proposing the Irish model as one that we should look at, at least in an interested way."—[*Official Report, Education and Culture Committee*, 5 January 2016; c 16.]

Fiona Hyslop: I congratulate the committee on the work that it has done already in eliciting more concrete information from the BBC on its spend in Scotland. There are still questions on what is above and below the line, what are overheads, what is creative content for Scotland, what is commissioned in the UK that benefits Scotland and what the overall balance is.

It is right that the value that we get from the BBC is strong. No one questions the quality of

many of the productions. However, on the range of services and the number of channels and stations, other models, such as those of Ireland, Finland and Germany, show that it is possible to have more distribution.

One of the key issues in the debate—I was listening to Tony Hall carefully—is the provision of more online platforms. That is the very least that we can agree on for Scotland.

This is about not just how people access content but what people want to watch. What matters is not just the number of channels but the quality of the content. We need to consider both.

Other countries seem to get better value in terms of the number of stations and channels than Scotland does. We need to balance access to channels, whether that is online or, as we would argue, additional channels, and the quality of the content. We need to make sure that the content has impact, both creatively and economically.

Gordon MacDonald: Would it benefit Scotland if there were a separate licence agreement that changed the balance? BBC Scotland's figures highlighted that a large proportion of its output was news, current affairs and sport and a small proportion was drama, entertainment and comedy. Do we need something in the licence agreement with the BBC that puts a bar on the proportion of news, current affairs and sport that should be produced?

Fiona Hyslop: Absolutely. The BBC's current consolidated accounts have separate lines only for BBC Radio Scotland and Radio nan Gàidheal. That is the only mention in the allocation. In the future, not only in relation to the charter renewal but also in relation to accountability to Parliament, we should be able to see a full breakdown. Setting that out is really important.

A service level agreement will be useful but not essential for changing the overall impact of spend in Scotland. It makes sense to have a service level agreement, but it is not the be-all and end-all in charter renewal.

It was helpful to hear from Anne Bulford that £35 million is cash spent above the line on creative commissioning. There is obviously an amount—we do not know what it is and we will need to dig into the figures, which can be done offline if necessary—within the £74 million that the BBC says that it is spending. A lot of that will be on overheads, which are about running the show.

Mark Griffin asked how much of the £323 million is spent in Scotland. Anne Bulford said that £200 million is spent on servicing the BBC as a whole. There is therefore only £123 million of spend that has economic impact here, and only some of that will be commissioned spend in Scotland, such as

for “Weakest Link” and “Waterloo Road”, which are no longer produced. Counting that will be important.

We need to think about what should be in the charter, what the expectations are, what the overall strategic thinking is and what the accountability to Parliament should be. Mary Scanlon made a point about how the Public Audit Committee and this committee can get underneath the issues and what the impacts are.

A service level agreement, which is part of the governance aspect, is not in place, but it will be important and will help to elicit information. This is not just about the numbers but about the impact, on which this committee and the Parliament will be helpful—as the Economy, Enterprise and Tourism Committee was in relation to the economic impact of the spend. This is about what we can contribute, not just what we can get. That is the important tenor of the debate in Scotland.

Mark Griffin: I will go over the figures and put some questions to you that I put to the previous panel. The BBC figures suggest that licence fee income from Scotland is £323 million and that the spend in Scotland—whether that is on the network costs of “Waterloo Road” or other productions across the network or on local content—is £200 million. That leaves a contribution of £123 million to the UK services that we benefit from.

If we moved to the Scottish Government's preference for a federal structure for the BBC, how much of a federal BBC Scotland budget would be taken up, at the outset, by purchasing the programmes that viewers spend 88 per cent of the time watching?

Fiona Hyslop: That is the multimillion dollar question, and we have been working with the BBC to elicit an answer. Your committee has been very helpful in getting the figures to the public.

Programmes such as “Doctor Who” and “Sherlock” are seen in countries around the world. In Ireland, Sky and Virgin get a premium on contributions of about €1 per household. That is something that we will look into.

On the actual spend, in a federal system you would pay into an overall pot for things, whether in the UK or worldwide. As George Adam said in the previous session, some of that would go towards producing big shows—not just quiz shows, however many jobs they may create for crews, but drama shows, which is where you would get the big recurring spend that develops the industry.

I want to see that shift, but as Anne Bulford confirmed today, when it comes to the creative impact of original television content for Scotland, there is £35 million available out of a budget of £323 million. That is not the big economic and

creative impact that we need to see in Scotland, so a shift needs to happen. There are contributions to the overall spend that will go back in, and the committee is looking at the accounts to determine what the overhead spend is for the UK and what is necessary here. The challenge is to look at this that way round. We do not have figures on the economic impact of network spend on network-commissioned programmes in Scotland. The convener tried to get that from Ken MacQuarrie in his questioning, but Ken MacQuarrie referred to the impact of local spend rather than other impacts.

Therefore, when Anne Bulford says that, in a federal structure, it would cost £200 million to get all the services that we get from the UK, I am not so sure—although I am not in charge of the BBC accounts and budgeting and am probably in a similar place to you in trying to get in and around this. I do think that we are in a very good place now because of the committee's work and that we can now have that dialogue with the BBC. I intend to meet the BBC at UK level—to meet Tony Hall—and BBC Scotland to identify what those figures would look like.

Mark Griffin: On what the cost would be, the figure for buying in is probably key.

Fiona Hyslop: Yes.

Mark Griffin: That is the figure that would set out whether moving to a federal structure would be worth while and whether it would bring any financial benefit.

Fiona Hyslop: We have to differentiate between two things. The first of those is buying in programmes. For example, RTÉ buys in “Sherlock” and “Doctor Who”, and I think that its budget for ensuring that “EastEnders” and all those programmes are seen is in the tens of millions.

We are saying that the value of the BBC is not just in the consumption of programmes such as “Sherlock” or “EastEnders” but in enabling us to have a sustainable production system. We want a strong, bold, creative and ambitious BBC. Tony Hall said that he thought that the charter should say that part of the BBC's role is to support creative industries, and I agree with him; the issue is how much the creative industries are being supported in Scotland under the current system. As the Economy, Energy and Tourism Committee noted—I think that this committee has looked into the matter, too—we are not getting the same impact.

We need to move decision making and some budgets. I would like all the budget to be transferred, with something then being remitted for the central services, but even in a federal structure, we would need to come to some

agreement about the transfer of decision making and commissioning to BBC Scotland, which would not just enable us to have good-quality programmes now and next year but build the industry for the future, so that we get the impact that I am talking about. The danger is that a talented, able person who wants to be a producer, series editor and so on will have to make the career choice to move to London. That is not good for the BBC in the long run. Across the UK, we must ensure that we have the industry.

I know that a lot of this is about accounting for immediate spend, but the strategic interest in the BBC charter renewal has to be about shifting the impact of decision making and commissioning. From my discussions at the stakeholder sessions, I think that there is a consensus on that. That is clear from the Economy, Energy and Tourism Committee's inquiry, too.

Liam McArthur: In response to Gordon MacDonald's question about RTÉ, I think that you suggested that RTÉ gets better value, given the number of channels that it has. That tells us about quantity but not necessarily quality. There is concern that in Ireland there is an awful lot of bought-in content from the United States, which comes at a high cost and has led to a flight of talent from Ireland to the UK. Is there a risk that we can get hung up on quantity and lose sight of quality?

Fiona Hyslop: If you listened to my answer to Gordon MacDonald, you would have heard me stress that this is about not just the range of platforms but the quality of the content. I agree with you that there has to be both. However, we can guarantee quality of content only if we are reinvesting in the capability of the sector.

Great things are happening in Scotland, but there is a risk that we are not producing as much creative content in Scotland as we should be producing. Just buying in programmes is not good enough. Tony Hall said that it is important to build an online channel, and I agree with him, but the issue is not just the windows and different platforms for access but the content behind that.

The idea that Scotland cannot produce quality content drama is ridiculous. We have good experience in that regard. However, if we look at what is coming out of Scotland, including the network commissions by the indies, we see that a lot of the content is factual—that is excellent; we have a great reputation in that regard—and a lot of it is children's programmes and game shows, as we heard. We need to have a broad range of quality programmes, as you said.

How do we guarantee that that happens? We have tried quotas. I am not saying that quotas and the lift and shift approach have had no economic

impact, but we might need a different approach for sustainable production in Scotland. The issue is how we ensure that we have the quality that we need.

From what I have heard today, I think that there is a lot of consensus about what we are trying to achieve; the issue is how we achieve it. We have had quotas, but it is decision making and commissioning that would make the big difference. In response to the committee's questions, Tony Hall talked about access to commissioners; we are saying that we need the commissioners to be here.

I am not saying that we need all the commissioners to be here, and I recognise that we must operate within a federal model. People might feel uncomfortable with the federal aspect; we might be ahead of the game in calling for a decentralised approach to decision making. However, the power and the influence follow the money, and if people do not have control of the budgets and the commissioning, they will not be able to have the quality creative content that we want.

Liam McArthur: Tony Hall also said that four of the commissioners are based in Scotland. It is not simply an access issue, to be fair.

When you referred to "Weakest Link" and "Waterloo Road"—shows that are no longer shown—you appeared to dismiss the impact that they had. For example, I understand that the specialist skills that were developed as a result of "Weakest Link" led to subsequent commissioning for the team from commercial television. Although I understand your desire to see more drama, for example, there is a finite budget, so more of one thing will, potentially, mean less of something else.

12:45

Fiona Hyslop: When "Waterloo Road" was commissioned here I welcomed it, because I recognised that that would help the skills base in Scotland. I am not sure whether the company that produced that programme still has an office in Scotland or what it is doing now. That is probably worth looking into.

I am not saying that there is no economic impact; all I am saying is that it is not at the level that would allow Scotland-originated material. Otherwise, it is lift and shift, which does have an economic impact, although it is limited. BECTU was absolutely right to say in its evidence to the committee last week that lift and shift provides jobs for crew and, perhaps, assistant producers or researchers. However, if you look at the Ofcom quotas—I think that it is worth looking again because the BBC voluntarily administers those—obviously "Waterloo Road", "Weakest Link" and

other programmes would count towards the 9 per cent of Scotland-produced material, but the Ofcom quotas are for outside the M25.

I thought that Tony Hall did not answer your question earlier about the BBC's definition of what is Scottish. What is important is the senior decision making—it is a bit like branch economies. If something is headquartered in Scotland, we get the immediate economic impact of the jobs, whether they are in editing—although I am not sure that editing would be done in Scotland—or in the crew base, sound engineers and so on, but the big economic impact relates to the future.

That is why the BBC charter has to be strategic. It is about how we can get better value out of exports. How do we make sure that we develop the skills base and experience in Scotland? The skills base and experience in online productions and co-productions with other companies are not being developed in Scotland because the companies that use lift and shift have their headquarters in London. That is what we have to try to change.

Liam McArthur: Okay, but the point was also made that, if we are not careful, the unintended consequence of shifting to a Scotland-based or Scottish-owned company is that a change in the market may see such a company being bought out by a London or US company. Suddenly, a number of skilled people who are based in Scotland and feel themselves to be very Scottish would be considered to be outwith whatever mechanism is used to describe those things. There are real risks in tautologising the issue in a way that does not keep pace with what is happening in the marketplace.

Fiona Hyslop: What we do has to be sustainable, and we absolutely need to look at global markets. However, I represent a West Lothian constituency that has seen NEC and Motorola come and go; there are parallels between those inward investments and the situation with "Waterloo Road". They took something from Scotland but all the jobs then moved when the companies moved. Producing in Scotland one big network programme that is perhaps coming to the end of its life is not as sustainable as developing home-grown businesses, which can be global and export based, and can sell into markets.

It is partly about having confidence in the quality of the Scottish content that can be added to the mix. There are two things to consider: there is the economic and creative impact, but there is also the question of how to get diversity of perspective. The BBC knows the challenges, and the UK Government consultation is investigating that question. If the commissioners, by and large, have similar mindsets and experience, that will limit quality and range.

It is interesting in global-market terms to ask how to plan for five to 10 years; the charter is for 10 years. How is that future planned for? In a global market, original content has currency; we see that with the Scandinavian programmes. A lot of production in the future will be co-production, and we need to make sure that we have a sustainable base for that.

The role of the BBC is not just to provide immediate consumption for audiences: it is also about it being a leader in respect of how we ensure sustainability over the next five to 10 years. Its impact on creative industries in Scotland is absolutely critical, and we have not got the balance right yet. Lift and shift was perhaps necessary at the time to meet quotas, but we are looking for a qualitatively different kind of production in Scotland for the future.

The Convener: Thank you. There is a brief supplementary question on that, then we will move on to governance.

Chic Brodie: Thank you for mentioning global markets and customers, which it seems we did not discuss with the BBC witnesses. Although we have had numbers, it is clear that some people are not as on top of the numbers as they should be.

You referred to federalism. I would be cautious about using that term. Why should not BBC Scotland be its own company entity? That would mean that it would be accountable, that it could measure performance, productivity and efficiency, and that creativity would be its main product and service. Why are we not talking about that? It could report to a unitary board. Policy could be set at that level, but the operation would be measurable, achievable and sustainable.

Fiona Hyslop: I believe in public service broadcasting, and I do not want to give the Conservative Government any opportunity to privatise the BBC. I am not saying that that is what its plan is, but—

Chic Brodie: That can be secured by statute.

Fiona Hyslop: As far as the structures are concerned, we have to be very careful about making sure that the governance model fits in with public service broadcasting and does not provide an opportunity for privatisation. I heard Mary Scanlon's concerns. I am not suggesting that the UK Government is doing that; I am just saying that that is part of that process.

Mary Scanlon: The UK Government is certainly not doing that.

Fiona Hyslop: The Clementi review is imminent and I am due to speak to David Clementi tomorrow. Governance is very important. Many aspects of BBC governance need to be reviewed—especially Scottish representation. The

board set-up can work in relation to accountability, but not in a way that leads to a marketised model, which is why I think that there needs to be Scottish representation. More accountability to this Parliament and a Scottish board that would feed into a federal system within the UK would provide a good system of checks and balances. We do not want things to be overly geared towards marketisation for making profit, because we have to think about consumers—or, in this case, audiences.

Chic Brodie: The unitary board would control the policy.

Fiona Hyslop: Exactly. I suspect that that is the direction that we are going in. We need to make sure—this is partly Parliament's role—that there is within that set-up strong representation of Scotland.

Chic Brodie: I accept all that, but the body has to be measurable and seen to be an entity that can be measured.

Fiona Hyslop: The separate service level agreement that we talked about would allow for scrutiny and accountability, but a Scottish board would be helpful in setting strategic ambition. Instead of things just being managed on a short-term basis, the board could take a more holistic overview. I agree with Chic Brodie on that.

Mary Scanlon: I think that we have been fairly consensual on this—all of us round the table want the same thing for Scotland—so I will ignore the comment about my colleagues down south.

I was pleased that you acknowledged, and appeared to be satisfied with, the commitment to improve Scotland-specific statistical information. I think that the Public Audit Committee, the Education and Culture Committee and the Scottish Government all need that. We also need it to ensure that BBC Scotland is more accountable to Scotland financially and from the point of view of service.

Given that there is a commitment to improving that information, I was struck by the fact that you have proposed a federal budget. I presume that that would mean that Scotland would receive a fixed sum every year. Would that not be very difficult to negotiate at the moment, given that we do not have enough Scotland-specific statistical information?

Fiona Hyslop: You are right that that would be the case at the moment, but even the movement in the past few weeks and months on publication of Scotland-specific information is enabling us to have that dialogue and discussion. The issue would be the extent to which we would say that, in a federal structure, there would be agreement that the allocation to Scotland would be £X, or whether

Scotland would get all of the £323 million and a subvention would be made for some of the UK-wide roles and responsibilities. I would like to maximise that, but you are absolutely right that we now have the basis for that discussion.

I recognise that what the BBC has put forward is in keeping with the information that we have, but we now have far more openness and clarity, so we can genuinely have that discussion in a way that would not have been possible even six months ago. The process that we have gone through has been extremely helpful.

Mary Scanlon: Given the memorandum of understanding and the work of the Public Audit Committee and this committee, I would be concerned if decisions were made suddenly in the absence of the information that we all need as parliamentarians in order to start considering a federal structure. I will leave it there.

The Convener: Do you not want to ask your second question?

Mary Scanlon: Yes, I do, although you asked it earlier. [*Laughter.*]

The Convener: I did, and you chastised me for it.

Mary Scanlon: You pinched my second question.

It is really about autonomy. I have no doubt that you have read the BBC's submission, and it seems that audience appreciation levels for the BBC channels, for the weather forecasts, for sport and so on are similar in Scotland and the UK. For TV overall, the consumption figure for Scotland is just 1 per cent higher than the UK-wide figure. Given that we all know that devolution is now moving on apace, to what extent do you feel that the BBC has kept up with the changing face of Scotland? How much further should it go in the future? We have discussed the degree of autonomy in budgets, but how much more Scottishness are you looking for from BBC Scotland to reflect the increasing pace of devolution?

Fiona Hyslop: As a Government minister, it is important that I make it clear that it is not my job to influence content or editorial decisions. There has to be independence in respect of those.

It is fair to say that the BBC has acknowledged that it has not kept pace with devolution, which obviously started in 1999. The challenge that we have in the charter, which will be for 10 years or possibly 11—I think there is merit in trying to separate elections from the charter renewal timescale—is to future proof it. We do not know where we will be in 10 years, and Tony Hall acknowledged that the political developments in

Scotland are asymmetrical with those of Northern Ireland and Wales.

On the capability of Scotland to make decisions operationally within the BBC, we think that we can be empowered far more. I am arguing that a federal structure makes sense in lots of different ways. Other people say that what we need is more decentralisation, which is more like devolution, or enhanced devolution. The position is different in Scotland from the positions in Northern Ireland and Wales because our challenges are different, and so are our devolution settlements. I think that there is space to move on this. Tony Hall talked about the asymmetrical development of Scotland and said that the BBC had not kept up. I agree that there is scope for and the capability to make changes in Scotland. We need those changes.

I go back to Liam McArthur's point that we can have a percentage figure, but there is an issue if it does not allow us to keep up with the pace of cultural developments. We have a strong cultural base. A previous director general said to me that one of his regrets about the Olympics coverage was that it did not include more creative cultural content from Scotland, because the cultural Olympiad was so strong and such content would have added to the overall UK content.

High quality is embedded in how we do things in Scotland. This is not just about platforms, channels and spend. It is about impacts: they are important.

Mary Scanlon: The audience appreciation figures illustrate that we in Scotland are very loyal to the BBC. We are certainly watching it in great numbers. Have you discussed your federal model with your counterparts in Wales, Northern Ireland and England? We could not have a federal structure for Scotland without having it elsewhere. Have you discussed it with ministers in the other nations?

Fiona Hyslop: I have had discussions with the culture ministers in Northern Ireland and Wales. I have also met John Whittingdale and plan to meet him again. He is aware of our work. The emphasis is on what we can achieve with the BBC. We cannot do this in isolation—we have to consider what we can achieve in discussions with the BBC. I am due to speak to the ministers in Wales and Northern Ireland again fairly soon, but I do not think that what we will do is dependent on that. We can share our views on what we can offer, but—

Mary Scanlon: That is why I asked the question; I thought it would be helpful to know about that.

13:00

Fiona Hyslop: Yes. The interesting point is that because Wales has “Doctor Who”, S4C and so on and a lot of commissions come from there, it has a strong production base. However, that is not the case in Northern Ireland, which is quite different. Everybody’s experiences are different in that regard.

The challenge for the BBC, which it knows from its own audience research, is around the concerns about how the BBC reflects Scotland to Scotland. Some of that is about the news, which can be dealt with separately from the BBC charter, but there are concerns about other content. The BBC itself will have to make decisions on that.

Mary Scanlon: Yes.

Fiona Hyslop: I think that it would be easier for the BBC to reflect Scotland if there were commissions from Scotland and decisions were taken here, which would mean that we could then share great productions with audiences across the UK.

George Adam: Good morning, cabinet secretary. Some of the Scots individuals whom the director general said are involved in network television are examples of Scots who have had to go away from here, which goes back to your argument about commissioning being based here. We heard at last week’s meeting from Professor Blain and Professor Beveridge, who both said that we should look at having an existing channel or a new television channel based here because it is all about commissioning and how we deal with that.

Professor Beveridge went further and said that BBC Two should be moved to Pacific Quay. He believes that the BBC looked at a plan for that, at one point. The BBC has a history of doing that kind of thing. For example, there is MediaCityUK in Salford, where the BBC moved “Breakfast”, CBBC, BBC Sport and Radio 5 Live. It has been said that over five years that could be worth about £1 billion to that regional economy. Given that the BBC has already done that kind of thing, could we not find a way for it to do something similar in Scotland? Even Tony Hall has said that he wants drama in particular to be more organic and to come from different areas. That could mean not a tartan and shortbread kind of drama coming from Scotland, but Scottish drama—a Scottish science fiction drama or another sort of show. Is that not the kind of radical approach that Professor Beveridge was talking about? Is that not the way forward for us?

Fiona Hyslop: There needs to be significant and possibly radical change to the BBC to make the impact that we need in order to produce the creative content that audiences here want, and that has economic benefits and sustainability in

the long term. The question is how that will be done. We think that it could be done by having an additional TV channel and an additional radio station here. There is a challenge around having a radio station for both speech and music, which could bring opportunities.

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.

That goes back to the point about having quality content for a channel, which Scotland is capable of producing. However, if we do not have the budgets for doing that, it will not be done. Anne Bulford made that point in her evidence. The budgets in Scotland for decision making on commissioning are very small indeed and are nowhere near the £323 million that has been mentioned, or even the £123 million that Mark Griffin referred to. If there is only a very small amount for decision making, it will not have much influence.

People giving evidence to the committee on this issue will have different views and opinions, but the consensus opinion that has been built up over a number of months during several engagements with the BBC is that there has to be change and that decentralisation of decision making and commissioning to Scotland would make a huge impact. A federal structure is the logical endgame in that. Again, though, that will depend on what happens across the UK—Mary Scanlon referred to Northern Ireland and Wales—although regardless of that, we could still have more decision making in Scotland.

I can describe what we are trying to achieve through charter renewal as something that will empower the BBC and will also get a bit of strategic thinking in there. The strategic part will, I think, be the win for us, but it would not benefit just Scotland; it would benefit the rest of the UK, as well.

The Convener: Cabinet secretary, I presume that you have seen the detail provided by Matchlight on commissioning and the Ofcom rules, which are the context for some of the comments that Matchlight provided. It gave a worked example—not a real example—of how it is possible for commissioning that ends up as all being allocated as Scotland spend to be as little as

a single figure percentage in terms of actual spend. What is your view of the evidence that we received on that area, not just from Matchlight but from others? Also, what is your view of the Ofcom rules?

Fiona Hyslop: The BBC is voluntarily operating under Ofcom rules. Perhaps there is an issue about what should go in the BBC charter. It is a 10-year charter so there has to be some scope for flexibility, but it is very important to firm up what it looks like.

The Matchlight evidence is very similar to the evidence that was given to the Economy, Energy and Tourism Committee on the economic impact of the film and TV industry. I am not saying that there is no impact—of course there is and I recognise that—but the issue is the qualitative aspect. Also even within the Ofcom rules or the variations thereof that network commissioners are looking at, it could be about whether the talent is outside the M25. I am not quite sure what the BBC rules are on Scottish residency and how it measures that and whether it has an impact.

It is clear that Matchlight has a point—we are not getting the same economic and creative impact or sustainability. Going back to my earlier point, I note that, even if people have a branch office in Scotland, there are issues for the development of the industry. It is a question of aspects such as global sales and online aspects in relation to other companies and where the intellectual property lies. For many of the examples, the intellectual property value does not lie in Scotland even though the productions are called Scottish. We need to have a shift to Scotland.

Too many people have said to me, “We meet in airports.” Earlier, the convener referred to people coming up on Monday and going back on Friday. As regards the long-term investment in the industry in Scotland, such productions are not leading the industry particularly. They are having an impact and I do not want to underestimate how important it is, but the answer that you did not get from Ken MacQuarrie was about how much of the decision making for network comes from Scotland and how much the spend is for that. That is the nub of what we need to try to change.

The Convener: I did try to get an answer.

Fiona Hyslop: I know that you did. I am sure that you might have follow-up questions on that.

Liam McArthur: I will return to the figure of £35 million. I accept that the BBC itself was in a sense substantiating it, but I am taken by a comment from Nicole Kleeman of Firecrest Films, a company that specialises in current affairs and also works for the BBC “Panorama” and Channel

4 “Dispatches” programmes. Nicole Kleeman is quoted as saying:

“My feeling is that the value of television production in Scotland to the Scottish economy and to the Scottish viewer is significantly more than £35m.”

Another executive quoted in the same article also commented on the £35 million figure:

“We’re using local companies, we’re doing our editing here. I’m employing Scottish producers, assistant producers and journalists. Doesn’t that benefit the Scottish economy? It’s bizarre. It just doesn’t make sense. The amount, the value of productions made here for the network is so much higher than that.”

I do not think that we are necessarily ever going to be able to drill down fully into the make-up of how programmes are produced and commissioned. Is there a risk to some extent that what we are seeking to do is to create a definition of Scottishness that does not necessarily reflect what is happening in the industry and undervalues some of what is already happening with productions?

Fiona Hyslop: You said that we may never get to resolve the figure; I think that we can. That is why Mary Scanlon is quite right to speak about what we can do in terms of the accounting and what we can produce.

Even in the past few weeks, this committee has elicited information that confirms the £35 million figure that we have been using for original TV content—not series production for the “Weakest Link” or anything like that but original TV production for Scotland. That is now acknowledged by Anne Bulford. The question is whether what is taking place is being underestimated. I agree that there is more to consider with regard to independent producers that are perhaps doing network commissions for “Panorama” or are spending in Scotland, and I am not saying that there is not an economic impact from that—there is.

The issue is that, although—using Anne Bulford’s figures and including lift and shift—£83 million is spent in Scotland, it is better for a company to have a headquarters in Scotland that can grow in the longer term, rather than operate on a basis of one-off commissions. I am not saying that the money that comes from those commissions does not matter—it employs sound engineers, assistant producers and so on—but what we actually want are the people who devise the programmes. Where is the intellectual property value in the lift and shift companies? It is not in Scotland.

There must be a better balance—everyone says so. The question now is: how do we get that better balance? Tony Hall talked about access to commissioners, but that will not necessarily be

sufficient to get the better balance that we are trying to achieve.

It is interesting that the figures that have been produced by the BBC and what the BBC has said today back up the figures that we have been using. It is not productive to have a fight about the figures; I think that we are getting to a consensus about what the figures represent. We need to get a bit more clarity about the details but, by and large, we have an understanding of the issues. The question is: how do we change network commissioning, budgeting and decision making for the benefit of Scotland and, within the context of the BBC, the rest of the UK? There must be a win-win situation. I think that we can do that and I think that there is a case for that. That is why I am pleased at how constructive the discussions have been. I have had a number of meetings with the management of BBC Scotland and BBC UK, and will continue to do so.

We are starting to move to a position in which the differences in our understanding of the figures are not that great.

Colin Beattie: We have been talking about the creative industries. In the context of the charter, how is the Scottish Government—presumably in partnership with Creative Scotland—proposing to become engaged in setting the strategic direction for the development of broadcasting in the independent production sector?

Fiona Hyslop: First, the fact that there is a memorandum of understanding between the UK Government, the Scottish Parliament and the BBC to work in partnership is important. One of the things that I managed to persuade the UK Government to do is to amend the position to ensure that the Scottish Government is involved throughout the process, not just at the beginning or the end.

The consultation on the BBC charter has generated 200,000 responses, which I think is the biggest response for any Government inquiry ever. We will engage with the UK Government on the responses to that consultation and in relation to what we can input to the content prior to the publication of the white paper. Part of that will relate to the impact on the creative industries. I might be wrong, but I think that there is likely to be a consensus between the UK Government, the BBC and ourselves that the BBC has a role as a leader in terms of the sustainability of the wider creative industries. It must also have the ability to compete and provide services in other areas.

The jury is out with regard to the issue of BBC studios. We have to revisit that, from a Scottish and a UK perspective. I agree with Tony Hall's point that there should be something in the charter about the role of the BBC in leading the creative

industries, but I do not think that that should be understood just at a UK level because, if that happens, the impact on Scotland in terms of change will be ignored. We can support creative industries in relation to skills and training and co-production, and also through commissioning, which is the issue that we come back to time and again. The way in which to support the creative industries in Scotland is to have more commissioning decision making in Scotland, as that will ensure that there are more commissions in Scotland, which will then contribute to the UK. It is a critically important point.

13:15

Colin Beattie: Is there a danger that the BBC might be too dominant in the market in terms of there being too big a proportion of the creative industries in Scotland becoming dependent on the BBC?

Fiona Hyslop: In a sense, if there is more business for Scotland, that might be a nice problem to have, but you are absolutely right.

There is strong public service broadcasting provision within Channel 4 and STV, and there are questions about how those channels contribute to the creative industries. You have taken evidence from MG Alba, and I think that its model of support for independent producers is strong. There is a scalability aspect with regard to what can be done in that way in Scotland and elsewhere.

The issue is that there is a diminishing resource. We are saying that Scotland should get more resource in order to reflect our population share and so on but, even without an increase in resource, a transfer of decision making could inject around £18 million in terms of economic and creative impact, which would help the creative industries.

We are in a strong place and we have capability, but the BBC is not reaching its potential in terms of support for creative industries. There must be checks and balances in place. That is why Ofcom has rules about the eligibility of independent producers that work for the BBC—that is where lift and shift comes in. The BBC studios proposal has potential but, as Janet Archer warned you last week, if it ends up reinforcing the centralisation of production inside the M25, we will just recreate problems that we already have. I cannot give a definitive answer on the issue of where BBC studios might be based, because we do not have clarity from the BBC on the issue.

The Convener: In the context of charter renewal, what is your view of how the Scottish Government, in partnership with Creative Scotland, could get engaged in the process of setting the strategic direction of the development

of broadcasting and independent production in Scotland?

Fiona Hyslop: There is the TV leadership group. Strategically, high-end television is now competing with film in many sectors, so there is more of a connection with the strategy for screen in Scotland, which we can consider collectively.

In terms of the injection of funding, we have the development fund, the production fund and various things that the Government is providing in terms of the film strategy focus of Creative Scotland, and there is also the screen leadership group that involves the independent producers, so that the sector itself can set the agenda. As is the case with any sector—energy, food and drink, tourism and so on—it is not for the Government or Government agencies to set a strategy for the creative industry without regard to what the industry wants.

I think that we are getting into a better position in Scotland with regard to the ability of all the players—the BBC, BBC Scotland, STV and the independent production sector—to come together to set that strategy.

Laura Turney might want to add something to that.

Laura Turney (Scottish Government): I think that that answer covers the issues around funding and the work that we do. I would also include the work that is done through the Scottish creative industries partnership.

The Convener: There are no further questions. I thank the cabinet secretary and her officials for coming along this morning.

13:18

Meeting continued in private until 13:55.

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