



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 7 November 2019

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
26th Meeting 2019, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Donald Cameron (Highlands and Islands) (Con)

*Annabelle Ewing (Cowdenbeath) (SNP)

*Kenneth Gibson (Cunninghame North) (SNP)

*Ross Greer (West Scotland) (Green)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

*Mike Rumbles (North East Scotland) (LD)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Steve Carson (BBC Scotland)

Glyn Isherwood (BBC)

Donalda MacKinnon (BBC Scotland)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 7 November 2019

[The Convener opened the meeting at 09:15]

BBC (Annual Report and Accounts)

The Convener (Joan McAlpine): Good morning and welcome to the committee's 26th meeting in 2019. I remind members and the public to turn off mobile phones. Members accessing electronic papers through electronic devices should ensure that they are turned to silent.

Our first agenda item is an evidence session with officials from the BBC on the organisation's annual report and accounts. I welcome our witnesses this morning: Donalda MacKinnon, director of BBC Scotland; Steve Carson, head of multiplatform commissioning at BBC Scotland; and Glyn Isherwood, group finance and operations director at the BBC. I understand that Donalda MacKinnon would like to make a short opening statement.

Donalda MacKinnon (BBC Scotland): Madhainn mhath agus mìle taing airson an fhiathachaidh seo an-diugh a bhruidhinn ribh.

Donalda MacKinnon continued in English.

Good morning, convener, and thank you for inviting my colleagues and me here this morning. For those of you who do not know me, I am director of BBC Scotland and, as the convener said, I am joined today by Steve Carson, who is BBC Scotland's head of multiplatform commissioning, and Glyn Isherwood, who is the BBC's chief financial officer.

You will be keen, no doubt, to talk more fully about the details in due course, but you will not be surprised to learn from me that it has been a momentous year for BBC Scotland since we appeared before you 12 months ago. Just three months after we spoke, we capitalised on the biggest content investment by the BBC in Scotland in a generation, which is worth £40 million a year, by launching the new BBC Scotland television channel. Our aim was to offer a wide range of compelling programmes made largely, but not exclusively, in Scotland and targeted very firmly at those who work, rest and play here.

We know that audiences in Scotland love their comedy and entertainment, drama, documentaries and sport in particular and have a great appetite

for news and current affairs. When we launched the channel on 24 February—bringing an additional 900 hours of new content to our screens annually—we made a deliberate plan to showcase those types of programmes in particular and to appeal more to younger audiences than we have previously.

Prior to launch, our regulators, Ofcom, outlined its expectations for the new channel. I am pleased to tell you that, eight months in, working with around 80 different independent production companies as well as our own in-house teams and creating 80 new jobs in our newsroom, we have either met or are ahead of what Ofcom set out for us.

That means that more than one in six audiences in Scotland is watching the channel every week. Requests to view our programmes on iPlayer have risen by more than 100 per cent this year to more than 50 million and, crucially, the channel is adding unique reach for the BBC in Scotland, most notably among younger audiences.

It is not just Ofcom that is telling us that we have unlocked something special for audiences in Scotland and beyond. Four days ago, three programmes commissioned specifically for the BBC Scotland channel—"Real Kashmir FC", "Murder Case" and one that would have been of particular interest to members here: "Yes/No: Inside the Indyref"—won Scottish British Academy of Film and Television Arts awards. Three more programmes made for United Kingdom audiences as a result of our local network investment—dramas "The Cry" and "The Victim", and children's show "Last Commanders"—were also successful, as was one of our "Disclosure" programmes, "Who Killed Emma?", on the murder of Emma Caldwell.

Although it is still early days for the channel and we still have challenges in some aspects of the schedule, we are delighted that our new child is doing well and we believe it will continue to grow its audience and gain industry plaudits. While all that has been going on, the rest of our workforce has still been producing all the programmes on television, radio and digital that you are already familiar with.

We have had a fruitful year in research, development and training, creating an additional 157 technology jobs as a result of the BBC designating Pacific Quay as one of its key bases and our work on many things, including voice recognition and artificial intelligence. Partnering with a number of organisations, particularly Screen Scotland, has been vital for our successes. They have been helping us to bring compelling new content such as dramas "Guilt" and "Elizabeth is Missing" and forthcoming new sitcom pilots to our screens.

We have tried to share our new investment right across the country. Today, for example, we are announcing a raft of new commissions from Aberdeen, including second series of “The Children’s Hospital” and “The Great Food Guys” and a much longer run for next year’s “Beechgrove Garden”.

Before I wrap up, I will quote from a review that appeared in last weekend’s *The Observer* by Euan Ferguson. He said:

“For the last few months there’s been an experiment called BBC Scotland, a dedicated evening channel that seeks to reflect my ... country. It’s a decades-old troubled boneyard of an ambition: dreams and bodies still lie strewn. But, just maybe, this time they’ve pulled it off. In a newly confident nation, the channel seems unafraid to mix the old and ... couthy with the utterly new (sex, race, music) in a way in which ... they blend (mostly) in Scotland herself. There was much riding ... on new drama ... Guilt ... they’ve hit that bell, won that cigar, can swagger off with some candyfloss.”

In summary, 2019 has been a landmark year for the BBC in Scotland and it is one of which we are very proud. Thank you, convener.

The Convener: Thank you very much, Donalda. You have covered a number of issues on which I know that members will wish to ask you questions.

I will open by asking you about equal pay issues, which have been very much in the news this week with regards to the Samira Ahmed case. Obviously, you are not going to talk about that case; I understand that it will conclude today. I am interested in the non-celebrity women in the BBC who are affected, particularly in BBC Scotland. Can you tell me how many equal pay cases have been raised in BBC Scotland, how many are progressing and how many have been taken to formal grievance?

Donalda MacKinnon: Last year when we were here, Anne Bulford, who accompanied me, mentioned that we had 12 outstanding equal pay cases in BBC Scotland. We have been dealing with those equal pay cases, and many other pay inquiries, over the past two years. I have to admit that the process has taken too long in the past year in particular. It has been a bruising experience for those who have raised queries about their pay, and I thoroughly regret that.

We are doing our best—Glyn Isherwood can talk more about the detail of the processes that have been put in place—to deal with those cases and examine them thoroughly. That can take time, because some pay cases go back decades. Nevertheless, we are intent on fixing the situation. It is not good enough and I personally wish that we were not in it. I will do all in my power to try to make dealing with the situation as easy as possible, as far as I can.

The Convener: How many cases have been raised? You talked about those that are outstanding, but how many have been raised and how many are still progressing?

Glyn Isherwood (BBC): It might be helpful if I talk from a pan-BBC perspective, because it is a pan-BBC issue that we are addressing and we have a pan-BBC process.

We have been through substantial change in our pay frameworks across the BBC. They are there to ensure transparency, fairness and competitive pay for people. Earlier this year, a National Audit Office report recognised the substantial achievement in getting those frameworks in place. People now understand where they sit within a market-informed pay range. Inevitably, that level of transparency has enabled people to raise a number of queries. We have encouraged those queries so that people understand where they sit.

Across the BBC, we have had some 1,300 pay queries from people who want to understand where they sit within a band and what that means for them. A small proportion of those are based on equal pay, but the large majority is a check-in to see what their pay is. The process has been very robust. For most people, they can raise that query informally with somebody in the human resources department and then register it more formally. Most of them are dealt with quite quickly, but some of them, as Donalda MacKinnon says, have run over many years. Deep human resources archaeological work is required to get to the bottom of them, and we do that.

We have put substantial resource into resolving the issues. We have dedicated case managers. Over the past six months, we have put people in dedicated roles as hearing managers rather than have them do that as part of their day job, so we have made progress. Across the BBC, we now have only four informal cases left to resolve, and fewer than 60 cases are in the formal process.

The Convener: How many cases were raised in BBC Scotland?

Glyn Isherwood: In the first instance, 74 of the cases were raised in BBC Scotland.

The Convener: How many of them have been resolved?

Glyn Isherwood: We have a handful outstanding. The number is very small, but we do not want to give an exact number because we do not want people to be able to relate cases to individuals.

The Convener: You talked about fair pay. Obviously, you understand that in employment law there is a difference between equal pay and fair pay. How many of the cases that have been

resolved have been treated as equal pay cases as opposed to fair pay cases? Could you tell us what the difference is between the two?

Glyn Isherwood: The law on equal pay is set out in the Equality Act 2010. It ensures that pay is reasonable and equivalent for jobs of the same value and cannot be differentiated on the basis of gender. That does not mean that people are paid the same rate for a particular job. Rates can differ because of market factors such as locality or they can differ because of skills and experience. There is a range of pay because of that.

The vast majority of cases are to do with fair pay. That is a result of the unprecedented level of transparency that we now have for pay at the BBC. A small proportion—less than 3 per cent—have been equal pay cases.

The Convener: I am sorry to interrupt you, but you might have guessed that I have spoken to people who are affected by the issue. My understanding is that you are treating cases as fair pay cases instead of equal pay cases. Equal pay cases have a male comparator. Fair pay cases, as you say, involve particular bands and look at similar jobs in an area. The difference between them is that if a case is treated as an equal pay case, you have to give backdated recompense. There is concern, certainly among the people whom I have spoken to, that you are not treating enough of these cases as equal pay cases. The dice are loaded against the women, because the BBC is employing HR specialists and lawyers to deal with cases, and the women fighting them do not have that advantage.

Glyn Isherwood: Where we have people who are not satisfied with the informal process, they go through a formal process. Within that, we have an independent legal adviser provided by a company called Croner Group, which is an expert in pay and equal pay legislation. It has the casting vote in the conclusion of those cases and we have a process in place that was agreed with our unions. We stand behind the robust process that we have, which is set out in our communications with people. We do the best that we can to conclude those cases at pace.

The Convener: How much are you paying Croner Group?

Glyn Isherwood: I do not have that information to hand. It depends on the volume of cases, and the work continues.

The Convener: How many cases in which a woman has come forward with a named male comparator have you resolved as a fair pay case without recognising the male comparator?

Glyn Isherwood: Again, I do not have the information to hand on that level of detail.

The Convener: My understanding is that a number of people in the BBC are what is called “red circled”. That means they have been moved from other jobs, perhaps through being moved sideways or through being demoted as part of management restructuring. Their pay is red circled so it cannot be touched, and that is causing quite a lot of difficulty with equal pay cases. How many of these red circled people are male?

09:30

Glyn Isherwood: I will give some background on our market-informed pay ranges. We went from a position of having 6,000 job roles across the BBC. We undertook a very thorough process and looked at how people map into particular roles and particular pay ranges, and we reduced that number down to 600. Everybody is clear about what job grade they sit within. When we concluded that process, some people had a salary outside the pay range for their job, so it is appropriate that their salary is frozen until the job pay range catches up with their salary. I think that that is what you are referring to as a red circle.

The Convener: What I was asking you was how many red-circled people in the BBC are male.

Glyn Isherwood: I do not have that information to hand.

The Convener: Will you write to the committee with the answers to the detailed questions that I have asked you, including how much you are paying Croner Group?

Glyn Isherwood: Of course.

The Convener: The people to whom I have spoken have suggested that Croner Group has a reputation of coming into corporations in order to reduce the burden of pay claims and that is why you hired them in the first place.

Glyn Isherwood: I do not think that that is true. We brought it in and we have set up a robust process to deal with the issue. I can write to you with that information.

The Convener: Thank you.

Claire Baker (Mid Scotland and Fife) (Lab): I apologise for being delayed this morning. Since the last time that the BBC was in front of the committee, the new channel has been launched. Although it is early days and we do not have a breakdown of its £12 million expenditure, is it possible to indicate how that revenue has been spent and what the channel’s priority areas are?

Donalda MacKinnon: The new money amounted to around £19 million, so the £12 million that you identify is probably the sum of money beyond news. Is that right?

Claire Baker: The detail in our paper says:

"Beyond the reporting of the £12 million spend on the new channel."

Steve Carson (BBC Scotland): That is to the end of the 2018-19 financial year.

The channel was launched to be multigenre, so everything from sport to drama and documentary. I have some percentages of how that is broken down: the budgets for sport, scripted drama and documentaries are about 20 per cent each. We set out to provide a full service to the people of Scotland, and we hope that that is what we have delivered.

Claire Baker: There has been news coverage of viewing figures—that is the issue that some journalists have picked up on. There are some positive reports of young people being more engaged with the channel. What are the challenges with measuring viewing figures? How are they determined? What about online viewing? How do we measure the success of the channel? How important are viewing figures to that?

Donalda MacKinnon: I think that overnight viewing figures are never the full picture, and we now increasingly look at consolidated figures over a period and at the different consumption methods.

I am very proud of how the channel is performing. I do not think that the headlines in some newspapers tell the full story. We are delighted that we are reaching one in six people in Scotland every week. The channel has a 17 per cent weekly reach. Its share is above the Ofcom target that we were set, and we are definitely seeing a pick-up in younger audiences. In fact, the channel is improving the performance of the whole BBC portfolio, because it is attracting younger audiences in a way that is challenging other services.

Steve Carson: In linear TV terms, it is a success. It is the biggest digital channel in Scotland from a standing start. It has greater reach—that is, the number of people tuning in each week—than long-established household names with very significant marketing budgets, such as E4 and Sky One.

As Donalda MacKinnon said, the overnight viewing figures are part of the story, but even in that regard a channel share of 2.4 per cent is significant for a digital channel. Again, it is bigger—double or more—than other household-name digital channels. Some nights of the week, we regularly outperform Channel Five, Channel Four and BBC Two.

The channel was not set up just to chase mass audiences. As Donalda MacKinnon said, it was about expanding our offer to hard-to-reach

audiences—that is, people who do not consume a lot of BBC TV. In our first two quarters, we are very pleased to see that the channel has the youngest age profile of the BBC television channels. In that profile is something called unique reach, which accounts for a bit less than 2 per cent. Those are young people who do not consume any other BBC television at peak viewing times, but who are now watching this channel. They are making a conscious decision to switch round the dial to find us—there is not a lot of casual grazing and passing trade in the digital world.

As Donalda MacKinnon mentioned in her opening remarks, the linear story is only part of it. One of the big, significant moves this year has been iPlayer consumption. The channel has its own space on iPlayer. We have seen—this is ahead of our own projections—110 per cent growth in requests to view BBC Scotland-commissioned content this year. That is more than 50 million requests to view. Audiences not only in Scotland but around the UK are consuming the new content. We think that that is another reason why the channel is adding value to the BBC portfolio as a whole.

Claire Baker: One of the ambitions for the channel is to increase the amount of news output that is specific to Scotland. "The Nine", which has a fairly significant budget, is the vehicle to deliver that. However, there have been issues to do with viewing figures that are particular to news. Will you say a bit more about how the news offer will develop? Does the channel interact with other areas of the BBC's offer? If so, how do they interact with one another?

Donalda MacKinnon: We set out to provide a news programme at 9 o'clock that was international, national, across the UK and very local, and I am delighted that we have delivered that. I am very proud of that offering—it is quite distinctive to anything else that the BBC offers audiences and we definitely wanted to achieve that.

Its journalism has proven itself in many ways. You asked whether other services benefit from its journalism. Network services and our local services, whether that is radio or online, including through our social media platforms, regularly benefit from that. I am very proud of what we have achieved.

Claire Baker: Will you give the committee a bit more information about that? You say that they benefit from the programme, but in what way? How does what is generated from "The Nine" feature in other programmes?

Donalda MacKinnon: Lots of pieces that appear first and foremost on "The Nine" will be

followed up on other outlets. Indeed, some of the journalists who work on "The Nine" also work on other programmes. Chris Clements, for example, recently produced a brilliant "Disclosure" programme called "The Lost Boys".

As I have said, some of the journalism that has appeared or started out on "The Nine" has found its way on to other platforms. For example, Allan Little's Brexit journey films have ended up on "The World Tonight" and on "BBC News at Ten"; they have also been on the "Long Reads" part of our website.

The stories regularly appear on "Good Morning Scotland", "Reporting Scotland" and social media. I am pleased to say that Jean Mackenzie, who is our Europe correspondent, has just been nominated in the foreign affairs category of the British journalism awards 2019.

I think that there are lots of attendant benefits, and the reputational quality of that news offering speaks for itself.

Claire Baker: A memorandum of understanding was agreed with Screen Scotland at, I think, the launch of the channel. How is that relationship progressing? What benefits are coming from that relationship?

Donalda MacKinnon: I also mentioned that in my opening remarks.

Claire Baker: Sorry, I missed that.

Donalda MacKinnon: The MOU has reaped many rewards. I hope that the audience is number 1 in receiving those rewards, but I also hope that industry in Scotland has reaped them. We have been able to secure, for example, the comedy drama "Guilt", which is the most recent transmission on air. It benefited from Screen Scotland funding, which allowed us to leverage other funding from other parts of the BBC to deliver it. Do you want mention other projects, Steve?

Steve Carson: Yes. BBC Scotland co-invests with Screen Scotland across a range of genres. It has money invested with independent suppliers, generating new factual formats that potentially have international appeal. "Guilt" is probably the most prominent example now, and we hope to end up commissioning the programme for several series.

Claire Baker: When the committee did an inquiry into the film industry in Scotland and looked at Screen Scotland and Creative Scotland, there was a push for collecting data, so that we could measure where the benefit has been. Are you or Creative Scotland doing that work on its input to the BBC and in relation to the production and jobs in the creative sector that are being generated in Scotland?

Donalda MacKinnon: We are working very closely with Screen Scotland. We meet the organisation a number of days a week, every week. We are committed to reviewing the operation quarterly, so all that data is being captured.

Annabelle Ewing (Cowdenbeath) (SNP): I turn to issues of regulatory compliance. Ofcom's 2018 report highlighted a number of issues that it felt the BBC needed to address and, more recently, Ofcom has expressed frustration about the lack of any clear plan that could enable progress to be easily assessed. I believe that Ofcom has now written to the director general of the BBC to ask that the next annual accounts set out a clear plan for making and tracking progress by March 2020. As far as BBC Scotland is concerned, what specific measures are being taken to address each of the four areas that Ofcom has highlighted, which are transparency, original programming, attracting young people and representation of different groups?

Donalda MacKinnon: Obviously, we will cover all of that in reporting on the performance of our services. We meet with Ofcom regularly and we will be working with the director general and others across the BBC in addressing those macro issues.

Glyn Isherwood: I can answer some of that. We welcome Ofcom's report. It recognises many of the issues that we have been calling out for a period of time, specifically around the changing media landscape and the difficulty for all public service broadcasters, commercial and non-commercial, in reaching young audiences. We annually set out a plan, which we publish alongside our annual report, and in discussions with Ofcom we will look to go further and address some of those challenges.

Over the past year, we have made significant progress in some of those areas. We have invested heavily in iPlayer and we had to go through a public interest test with Ofcom to ensure that that did not have a market impact. That took time, but it was concluded over the summer. We have also launched BBC Sounds, which has potential benefit for BBC Scotland content in the future, as does iPlayer because the Scotland channel plays out on iPlayer as well as on digital terrestrial television. We have also invested in news online.

Our ambition is to reach more of the youth audiences, and we are having success in doing that. For example, iPlayer has grown 20 per cent year on year with young audiences in the UK, BBC Sounds now reaches 2.6 million adults across the UK and, for news online, young figures have gone up 26 per cent year on year.

However, there is more to do and we would like to do more. To an extent, we are constrained by our funding. We are going through a period of tighter finances. The Government's withdrawal of funding for licences for the over-75s and the step down of that over a three-year period means that we are dealing with a drop in income. Prioritising investment in those areas is therefore hard fought and, as I am sure Annabelle Ewing knows, part of that investment has gone into BBC Scotland and creative investment here, which I am sure we will come on to. We welcome the report and we accept and acknowledge those challenges.

Annabelle Ewing: Ofcom also raises the issue that, in Scotland, viewers have a less favourable view of the BBC, in comparison with the satisfaction rate across the UK as a whole. Ofcom has asked specifically what BBC Scotland will do to address that dissatisfaction with its representation of Scotland and of the people of Scotland. I looked briefly at the BBC annual report for 2018-19 and found that, of the 286 pages, there are two for Scotland, so there was no answer there. Will you take this opportunity to indicate what BBC Scotland is doing to address what would be a very worrying issue for it?

09:45

Donalda MacKinnon: It is true that, as in some other parts of the UK, such as the north of England and Northern Ireland, general impression scores for the BBC are low in Scotland. That was one of the reasons for the new investment in Scotland. We must continue to work with our network colleagues to ensure that there is proper representation and proper portrayal of Scotland on our network channels. I am pleased that we are already beginning to see that some of the general impression scores are being shifted, although that probably will not be clear until next year's annual report and accounts. They are small increases, but that nevertheless gives me optimism that some of the interventions that we have put in place are beginning to take effect.

We have much more content representing Scotland available on the iPlayer and, as Steve Carson said, consumption via iPlayer has gone up by 100 per cent—admittedly, that is across the UK. All that helps to improve the perceptions that people in Scotland have of what the BBC serves up to them. The truth is that audiences in Scotland have always traditionally been high consumers of BBC content. Although the numbers have fallen a bit over the past few years, they are still pretty robust.

Glyn Isherwood: From a financial perspective, we have put a substantial amount of investment into BBC Scotland to address some of those issues. In the past 10 years, the BBC has

launched only two new channels, and both of them have been in Scotland: BBC Alba and BBC Scotland. The DG set out in 2016 that he wanted to increase the level of network spend and investment in Scotland by £20 million a year. That has successfully happened over that period. As Donalda MacKinnon talked about, there has been the memorandum of understanding with Screen Scotland to generate and support things such as the writers room. All the foundations are being put in place to address some of the issues.

To go back to my earlier comment, in the 2018-19 financial year, the drop in Government funding impacted overall BBC income by £187 million, which was a 3.8 per cent reduction in our income. During that year, we put in an additional £17 million in BBC Scotland spend, which was a 6.8 per cent increase. That takes us to a point where we are now spending a record high proportion of the Scotland licence fee in Scotland, and we are aiming to do more in that area. When we have a full year of reporting of the Scotland channel, that percentage will increase. We will set out more of those plans in our annual report next year, working with the rest of the executive team and the BBC Scotland team. I emphasise that investing in Scotland has been a key priority and that it has been happening.

Annabelle Ewing: You mentioned the percentage of money raised in Scotland that is spent here. According to your figures, it is now about 80 per cent but, of course, that is considerably lower than in other nations of the UK.

On the lower satisfaction levels, looking at that from the outside, it appears that there is a lack of or a decline in public trust. In commentary on all platforms these days, there are frequent references to a perceived bias in BBC Scotland, particularly in political reporting. How do you respond to those concerns?

Donalda MacKinnon: I do not believe that there is a bias. We will get things wrong on occasion and, when we get things wrong, we absolutely should put up our hands and correct whatever mistake we have made. However, I do not believe that what you say is anything other than a reflection of the way that society has been polarised over the past few years in particular debates. There is sufficient evidence to say that, if we are not confirming an audience's particular passions and beliefs, they can think that we might be biased against them. I would refute that. It is also important to look at some of the research that has been undertaken over the past few years, including by Ofcom, that shows that 78 per cent of the population still consider the BBC to be the most trusted source of news.

Annabelle Ewing: Is that for Scottish viewers or is it UK wide?

Donalda MacKinnon: I think that it is for the UK.

Annabelle Ewing: So it is not broken down into a figure for BBC Scotland.

Donalda MacKinnon: It is not but, as the annual report and accounts for this year state, 70 per cent of adults in Scotland think that the BBC is effective in informing, educating and entertaining people in the UK; that 54 per cent of adults in Scotland think the BBC is effective at reflecting people like them; and 80 per cent of adults in Scotland in TV homes watch BBC TV every week. Those are just some of the statistics that do not necessarily bear out some of the perceptions. That is not to say that I do not accept that there are perceptions that somehow we are not impartial. However, I refute that view wholeheartedly.

Ross Greer (West Scotland) (Green): I have a brief supplementary on that point. Literally just before I came into the meeting this morning, it was raised with me that the BBC might be suspending the Wednesday afternoon “Politics Scotland” coverage of what goes on in the Scottish Parliament for the course of the election campaign. Can you confirm whether that is the case?

Donalda MacKinnon: You have heard something that I have not heard this morning, so I cannot confirm or deny that.

Ross Greer: It would be useful to get confirmation of that.

Donalda MacKinnon: Sure—we will provide you with that.

Ross Greer: It was not rogue speculation on social media; it was from folk who I would expect to be in the know. It struck me as a little odd that coverage of day-to-day business in this Parliament would be affected by an election elsewhere.

Can I move on to my substantive point, convener?

The Convener: We have another supplementary on that subject.

Mike Rumbles (North East Scotland) (LD): It is really a brief comment. If you were to go down the route of suspending coverage of the Holyrood Parliament while the Westminster election is on, surely to be even handed, when the Scottish Parliament has an election, you would suspend coverage of Westminster, or would that be ridiculous?

Kenneth Gibson (Cunninghame North) (SNP): That will never happen.

Donalda MacKinnon: I think that it probably would be ridiculous.

Mike Rumbles: It would be ridiculous.

Donald Cameron (Highlands and Islands) (Con): I have a supplementary to Annabelle Ewing’s question about impressions. There is a 10 per cent differential between Scotland and the rest of the UK: 64 per cent of UK adults have a favourable overall impression, compared with 52 per cent of adults in Scotland; and 50 per cent of UK adults think that the BBC broadcasts a good range of programmes, compared with 39 per cent of adults in Scotland. I think that that is quite a significant difference, and I want to explore further why you think that that is the case. I heard what you said about the new channel, and it being a bit early to judge and so on, but it strikes me that there must be a reason behind that difference that we have not quite got to the bottom of.

Donalda MacKinnon: BBC One is still the most consumed BBC service. If you consider where we have been in Scotland as far as BBC One—and, indeed, BBC Two—is concerned, prior to the launch of our new channel, we were opting out of BBC One with Scotland-only content. On BBC One, there will sometimes be network content that has been made in Scotland for the whole of the UK. My personal view is that because the volume of the content that is not of this place is so great and because, equally, so little of it is representative, I understand why that impression or perception exists. I think that that would be true of other parts of the UK, too.

If we look at the map of the whole of the UK, we see that people’s impressions of the BBC become much healthier the further south we go—that is true of the south-east in particular—and I think that the BBC is trying to address that. One of the four priorities that the director general announced earlier this year was that of examining again what we are doing beyond London, and I think that the intervention that was made here with the new investment that was announced in 2017 goes some way to addressing that issue.

In addition, we are living in times where there is a proliferation of choice. Arguably, people now have more choice of media than ever before. The volume question is really important, as is that of quality. Scotland is a nation of regions. There are different cultures within Scotland, which I would like us to be able to represent better than we do. We are trying to do that with the new service, and the fact that we have that landscape on which to operate now, alongside what BBC Alba has very successfully done for 10 years, gives us a real opportunity.

I am not sure that we will ever lose the appetite for live television, particularly around events, but as consumption habits change and people move to consumption via other means, on catch-up and so on, our content is becoming easier to find,

which had been another issue for us. Over the years, we have made some brilliant content, but people sometimes failed to find it. We now have a much better way for people to find content. A big element of the work that Steve Carson's team is doing is that it is looking very hard at content discovery. We are trying to make it easier for people, particularly in Scotland, to find some of the great content that we are creating.

Steve Carson: The approval gap is always at the forefront of our minds. As Donalda MacKinnon said, consumption is higher in Scotland—I think that it is still 12 per cent higher—than it is in the rest of the UK, but people value the BBC less.

Within that, there are some green shoots. Our own figures and some from Ofcom show that, as Donalda MacKinnon said, 70 per cent of adults think that the BBC is effective in informing, educating and entertaining people, which represents a slight increase. Another metric that we look closely at is the proportion of people who feel that BBC Scotland is for people like them. That is ticking up—it is currently at 54 per cent—and we have not yet had a full year of the channel.

It is important that people feel that their place is represented. BBC Scotland makes a concerted effort to get out of Glasgow. As well as serving a football audience and showing our commitment to the game outside the old firm, our championship football coverage enables us to be in different places around Scotland every week that we have the football.

Specific series that we commission, such as "Darren McGarvey's Scotland" and "Hidden Lives", are designed to enable us to get out to places that have probably not been hugely covered in the past. We can also do that in general programming, using a straightforward format such as "Scotland's Home of the Year", which gets round the country. It is, I hope, possible to change perceptions through content and, as we saw at the BAFTAs, people are beginning to receive our content well.

The general impression of the BBC score is affected by many other things—the over-75s issue is one example—but our content initiatives, the investment that we have put in and the new services that help people to get that content more easily are all part of our strategy for reaching hard-to-reach audiences and helping people to feel that there is greater value in the BBC for them.

Donalda MacKinnon: I think that it is true to say that audiences in Scotland also wish to see their realities reflected on network services across the whole of the UK. We have been able to collaborate with our network colleagues a lot more, and many of the commissions that Steve Carson has made will find their way on to network platforms. Critically for us, they are attracting co-

funding, which has been really important to us and will continue to be important in delivering the quality of offer that we aspire to deliver.

Mike Rumbles: Before I ask my question, I would like to confirm that, in my view—and I think that most people would agree—the BBC is the most trusted source of news that we have.

I want to concentrate my questions on new productions. In your introductory remarks, you said that you work with about 80 independent production companies. Could you tell me how many of those are based in Scotland? How many are Scottish production companies? I think that you have a reasonably good story to tell, but I would like to hear it from you. You have your own writers, producers and directors. How do you encourage that home-grown talent?

Donalda MacKinnon: We have laid some of the groundwork for that through some of the initiatives that we have been engaged in in previous years. The creation of BBC's The Social, for example, was really important in creating a talent pipeline, which is now beginning to appear on the BBC Scotland channel and in other places.

Using the nether end of the television schedule to encourage new, younger talent and some more experimental, riskier programming has allowed us to commission some people who had hitherto not made television; Steve Carson will be able to say more about that. The companies that we work with are almost entirely Scotland-based companies.

10:00

Steve Carson: Yes, they are almost exclusively Scottish companies. There are a couple of Northern Irish companies that we work with.

Mike Rumbles: Gosh—I did not realise that.

What proportion of your work goes to outside production companies and what proportion is kept in house?

Steve Carson: Outside the news offer, significantly more of it is out of house than in house.

Mike Rumbles: But you have a reasonably large in-house production team.

Steve Carson: The in-house production team at BBC Scotland serves radio, digital production, the orchestras and some TV elements where they tie into another offer—for example, "Breaking the News" is a very successful Radio Scotland programme. We put some additional investment into it, and it is now a television programme for a channel and also a successful podcast.

Mike Rumbles: I am concerned about whether, with the reduction in income that the BBC has had,

you are still focused on encouraging home-grown talent to come through.

Steve Carson: Absolutely—that is in the DNA of all our services. We thought that the new channel was an opportunity to take risks and bring people through. We have a host of initiatives from the writers' room to develop new writers. Two weeks ago, we launched on iPlayer some drama shorts that were co-funded by Screen Scotland. We have a new first-time directors strand on the channel, which involves about six films a year being commissioned. Within the past week, we have had two pieces made by production companies that are new to television: "A View from the Terrace" and a show called "Arctic Academy", which is about young people from Bathgate academy going to the Arctic. That has been made by a company that had done corporate productions and advertising but was new to broadcasting.

Encouraging home-grown talent is a key part of what we are doing. We had set out to take risks and to give people a chance, and a digital channel can provide the space to do that. We have pipelines for our social media accounts through to channel and, ultimately, we have BBC One Scotland as our big mass audience proposition.

Donalda MacKinnon: We also run apprenticeship schemes every year and we have a number of journalism trainees. In addition, we work extremely closely with the National Film and Television School in Scotland, which is based in our headquarters at Pacific Quay.

Alexander Stewart (Mid Scotland and Fife) (Con): I want to start by asking about BBC Alba. When you were here last year, BBC Alba was celebrating its 10th anniversary. Although there had been an increase in the news and current affairs and leisure and recreation programming, we noted that there had been a decrease in educational programming and in the programming for children, which formed part of that. Last year, you indicated that there was to be some investment in that. This morning, we have heard about the welcome investments across the piece. Given the continued decrease in educational and children's programming on the channel, how does the BBC intend to engage younger viewers and younger audiences with the content?

Donalda MacKinnon: The younger audience is important to us across the piece, but nowhere is it more important than on BBC Alba, where what we do around children is particularly important.

What we are looking at in this year's annual report and accounts is a six-month picture. At the time of the 10th anniversary last year, it was decided that we would change the mix of programming to reprioritise more children's

programmes. We combined forces with our colleagues in Salford to exploit our two iconic children's brands, CBeebies and CBBC, and to use some of the iconography and infrastructure of those brands to form Gaelic versions of them. The choice was whether to invest in origination, which is what we have decided to do, and to pull back a little bit on versioned animation, for example. A new approach has been taken to children's programming that is aimed at the CBeebies audience and at CBBC.

The way that we categorise what we report is such that we do not count the hours of what are described as "continuity". I do not think that that is a particularly appropriate description, because the continuity elements are in vision and they are very much an integral part of the entire offering of children's programmes for our Gaelic-speaking youngsters. They are about engaging with personalities on screen. They are not just interstitial announcements; they are very much part of the overall offering. They will involve, for example, creating stuff, a birthday slot or engaging with young Gaelic-speaking children, who will come on to set. I witnessed that for myself when I visited the sets a couple of weeks ago.

It is unfortunate that we are not able to capture that, but that amounts to about 26 hours that is covered by an asterisk somewhere in the annual report. At some point, we might be able to report that and offer a true reflection of what we have done. We have reprioritised origination. That is part of the overall BBC strategy as far as children are concerned, because very few other children's suppliers are originating children's content. I hope that that answers your question.

Alexander Stewart: I want to take further the point about how you engage with younger audiences—not just with BBC Alba, but with the other channels as well. What strategies are in place to ensure that there is joined-up thinking and that you have a goal and a vision for what you want to achieve? Things have developed rapidly over the past decade, and things are now changing so quickly that you need to adapt to try to keep up. The strategies that you have in place now will not necessarily be the ones that you will have in a year or two's time. How do you manage that process?

Donalda MacKinnon: I think that that is fair to say. It is a dynamic environment. As Steve Carson said, we have vehicles through which we encourage new talent. We have also been proactive in how we go about recruitment and how we reflect the diversity of our population on air. That has been and will continue to be important for all our services.

Essentially, we have what I believe is a quality offering. Young people are not necessarily looking

only for programmes that feature young people. We have seen the importance to that younger audience of “Still Game”, for example, and our sports offering. It is also really important to allow young creators to come through and use their own media to promote and allow others to discover what we are doing.

Alexander Stewart: It is all about image. You have a perception as to what you are trying to achieve, your audience has a perception and, as we have heard, there are some views and opinions about how realistic that is in Scotland compared with other parts of the United Kingdom. You are trying to get that balance together to ensure that you have a strategy in place that engages with the audience and the community that you are trying to reach, but it appears that Scotland is not quite doing that at the level that you would like to achieve. There is room for improvement in how you do that.

Donalda MacKinnon: There will always be room for improvement but, as Steve Carson said, we are very proud of what we have achieved. Relative to the rest of the BBC portfolio, the channel is beginning to perform rather well with young people.

Steve Carson: Consumption on iPlayer tends to be skewed towards the younger audience. In broadcasting, the under-55 age group is still considered to be young, which is encouraging. On collaborations with BBC Alba for young audiences, I note that, this summer, we collaborated on TRNSMT and Belladrum. I take my hat off to the production team for Belladrum, which broadcast in Gaelic and then switched services and broadcast in English all evening. We can attract young audiences through sport, and there was a collaboration on the women’s world cup. BBC Sport held the overall rights and we worked together to facilitate BBC Alba covering the Scottish home matches. We are seeing the fruits of that collaboration on screen.

Young audiences are key to the strategy, but all audiences are key. We are mindful that the licence fee is universal. As Donalda MacKinnon said, we can target young audiences with programmes that are specifically for them, and we do that. We have post 11 o’clock programmes. However, young people are looking for authenticity and quality, and they will go to “Still Game” because they recognise that it is true to itself. They will go to “River City” and to “Inside Central Station”, which is a documentary series about public transport. The channel has big audiences with a young skew.

The Convener: Donald, do you have a supplementary question?

Donald Cameron: I think that it has been answered. I am interested in the interrelationship

between BBC Scotland and BBC Alba, but unless the witnesses have anything further to add, I do not have anything else to ask.

Stuart McMillan (Greenock and Inverclyde) (SNP): Good morning, panel. Mr Isherwood said that funding is getting tighter. Given that the annual report says that the funding for the red button and online services is about £3 million, will the fact that the red button service is to stop have an effect on BBC Scotland’s budget?

Glyn Isherwood: No impact on the BBC Scotland budget is anticipated through the withdrawal of that service. We have to respond to how the market moves and what consumer behaviours are telling us. That is the reason for closing down that service, but it will not have an impact on BBC Scotland.

Stuart McMillan: Will there be an impact on the budget due to the BBC taking over the UKTV channels?

Glyn Isherwood: No. I will explain a little bit about UKTV. The BBC has a commercial subsidiary called BBC Studios. For a time, it was in partnership and it owned 50 per cent of the UKTV channels, along with Discovery. Last year, we concluded a deal where the BBC Studios subsidiary used some of its borrowing capacity to acquire the other half of UKTV so that it had a place that it could use and it could provide programming with an advertising sell. The deal is meant to make it easier to use our rights in the UK and bring in additional revenue for the BBC in the long term, so it is value accretive in that respect. The additional profits that are generated through the synergies of ownership will accrue back to the broader BBC financial pot in terms of dividends and increased profits through BBC Studios. It is meant to be an opportunity to help us to increase our investment. As our licence fee income reduces as a result of the over-75s, we have an opportunity to work our commercial subsidiaries harder, which will help to increase funding pan-BBC.

Stuart McMillan: In the reporting, the figures have been rounded to the nearest £1 million rather than to the nearest £100,000, as they were previously. Does that skew or lead to a lack of clarity in the figures that are reported?

Glyn Isherwood: I do not think so and I hope not. We took the decision because of the size of the organisation. Many organisations report to a level of detail in round millions rather than having long numbers in the thousands running through their reports. The BBC annual report is quite long. It is more about providing clarity and something that is easy for the people who look at our annual report to read. It is not about trying to significantly reduce the useful information in the report.

Stuart McMillan: Okay. This year, “BBC Sports Personality of the Year” will come from Aberdeen. Will it be considered to be part of BBC Scotland production or will it be produced elsewhere?

Donalda MacKinnon: I believe that we are making some content for it, but it will not count as a Scotland production. We are delighted that it will be in Aberdeen. Like other programmes that we have discussed with the committee, it will not qualify as BBC spend in Scotland, but nevertheless it is spend in Scotland. What I mean is that it will not qualify under the Ofcom criteria, but it is certainly a very welcome addition to what we are doing.

Stuart McMillan: In our discussion with you last year, Steve Morrison talked about “Casualty”, “Doctor Who” and “Sherlock”, and about Cardiff being a federal centre for production. With the new BBC Scotland channel and the additional investment that has come in to Scotland over the past nine months or so, is there an opportunity for Scotland to become a stronger centre for programmes for the wider UK network?

10:15

Steve Carson: Yes. I think that we are already seeing some signs of that. With the in-house production model, Scotland previously had specialisations in arts and science on the factual side, and they continue to be strong. The channel budget was set with a £2 million target to bring in external revenue from other sources. In fact, over the past 18 months or so, we have brought into budgets £6.3 million from other sources such as other parts of the BBC, the relationship with Screen Scotland, other broadcasters, distribution deals and platforms such as Netflix. That is a big part of the strategy.

In order to deliver the best possible service to Scotland, we need other funding and other funders, and we have proactively gone for that. “Guilt”, which is on air now and is co-funded by us, Screen Scotland and BBC Two, is a good example. In the factual space, we are now getting co-commission investments in titles such as “Murder Case”, which is run successfully on both the channel and BBC Two. Early next year, there will be a two-part special that has been co-funded at a very significant level by us and BBC Two. We are doing it across a range of programmes.

Stuart McMillan: That sounds positive. Although the percentage of income that is spent in Scotland has increased, it is still just 80 per cent. The equivalent figures are 97.2 per cent for Wales, 96.9 per cent for Northern Ireland and 69.2 per cent for England. Progress has been made, but do you anticipate that the 80 per cent figure will increase over the next 12 months?

Glyn Isherwood: We expect that, in our next set of annual accounts, which will be published next year, there will be an increase from this year’s figure of 80 per cent. That will reflect the full year of operation of the BBC Scotland channel. Our desire is to improve that in the long term but, as I think my colleague Steve Morrison explained last year, the percentages are higher in Wales and Northern Ireland for specific reasons. Wales has the production centre that does a lot of network production, as you mentioned. Northern Ireland operates with a disadvantage in that it is a smaller place but it has to provide similar levels of news, galleries and services, which accounts its higher spend as a proportion of its income. If you look at the report, you will see that, because of BBC England’s scale, its figure is 72 per cent. The figures are in reverse proportion to the size of each of the nations.

Stuart McMillan: I have a question about radio. BBC Radio Scotland’s offer is quite broad, but what plans or proposals do you have to look at and potentially change things there?

Steve Carson: On the back of some significant audience research that we conducted into Radio Scotland, we have begun to roll out some changes. In September, we announced some changes to the make-up of our key news programmes at breakfast, lunch and drive time, which are the spine of the daytime schedule. Those will be rolled out soon, and we will then move on to other pieces.

The time that is spent on radio consumption is down in Scotland and across the UK. Common sense says that people now have other things that they can do with their time rather than listening to live radio. The smartphone has changed that. However, we want to make sure that we have a broad speech-based offer. There is an opportunity, as the commercial stations in Scotland have increasingly syndicated their Scottish presenters or have gone. There is huge public service value in what we do in that, if people want to hear in-depth news and intelligent discussion from Scotland that is also warm and accessible with people who sound like them and live near them, that is provided by BBC Radio Scotland.

As part of the overall changes, we are now looking at an additional music service. We already have considerable investment in music on radio and there is a great talent base in Scotland. We are taking it in pieces, looking at the news programmes first, then the rest of the daytime schedule and weekends. BBC Radio Scotland is a very important service to us and we want to leverage the fact that it is one of the few places where people can get Scottish speech and discussion on air.

The online story is also quite positive. A little over 40 per cent of listening to Radio Scotland is now done through online services, and we are future-proofing ourselves there. Last week, there were more than 300,000 requests to listen to Radio Scotland content on online platforms. We need to ensure that we are getting the programming out to people where they are listening. Some people also work in podcasting, and there are some significant podcasts.

Stuart McMillan: My final question follows on from the questions that Annabelle Ewing and Donald Cameron asked about the trust in BBC Scotland. There is obviously an issue, and the figures that my colleagues quoted appear to prove that. We are in an election period and there has been widespread discussion regarding leaders' debates. Donalda, will you recommend to your colleagues who deal with political programmes that they ensure that the Scottish National Party has representation in any leaders' debate programmes?

Donalda MacKinnon: I will absolutely ensure that we give fair and appropriate representation to all parties. We are working through our plans at this very minute, I would suspect. You can be assured of that.

The Convener: Do you have any more information on what debates the BBC plans to hold during the election, at both the UK and Scottish levels?

Donalda MacKinnon: Because we are in election planning, it would probably not be appropriate for me to comment on that at this stage. We are working on it, convener.

The Convener: Okay—thank you.

Ross Greer: I am sure that all the parties that are represented around the table look forward to being invited to any BBC debate.

I want to ask about editorial guidelines. You will be aware that, last year, I raised the issue of the consistent appearance on BBC platforms of so-called free-market think tanks, such as the Institute of Economic Affairs and the group that calls itself the TaxPayers Alliance. They are dark money think tanks. They do not disclose their funding, only a few donors have been uncovered by investigative journalists, and they advocate a pretty hard-line form of unregulated capitalism. They campaign against public health measures on tobacco, and they happen to be funded by tobacco companies. It is widely believed that they are also funded by US pharmaceutical companies, which would explain why they are so keen on privatising the national health service.

When I raised that issue last year, the deputy director general of the BBC said that it had not

been raised with her before. I know that that was certainly not the case. Subsequent to that, I had an exchange of letters with the director general of the BBC. In July this year, he confirmed to me that the editorial guidelines had changed, which was really welcome. The new guidelines state that the BBC should not assume that guests, including think tanks, "are unbiased" and that it should provide "Appropriate information", including about sources of funding,

"when relevant to the context".

The IEA's and the TaxPayers Alliance's sources of funding have been disclosed in not one single appearance of them that I have seen since July—they are on BBC platforms almost every single day, including on "Question Time" last week—and I have not seen them being asked about their sources of funding. What is the purpose of BBC editorial guidelines if they are not being implemented?

Donalda MacKinnon: They should be being implemented. If they are not and there is evidence to bear out what you have said, I would be very happy to look into that. I cannot remember which think tank was involved, but I remember that, on the basis of understanding that our editorial guidelines had been amended, I was very conscious of picking out where that context was given in one of our reports. At the moment, I cannot remember for the life of me exactly which think tank was involved. It might not have been the TaxPayers Alliance, but I will look into that.

Ross Greer: A range of groups is involved. There is a particular network of so-called free-market think tanks, but there are other groups, as well. I had a debate on "Good Morning Scotland" with someone from the *Spiked* blog. It is funded by Koch Industries, which is a major US climate denial lobby. The debate was on Greta Thunberg and her role in the climate strikes, so it was obviously very relevant. That information was not disclosed at the start of the programme, because the BBC producers did not know about that—I genuinely believe that—but they had not asked. Therefore, I disclosed it during the programme, and *Spiked* was not particularly happy about that.

I want to confirm your position. The issue with those groups is that they are not willing to disclose who funds them. If they are not willing to disclose that information, should they not be invited on to a BBC platform?

Donalda MacKinnon: I would have to understand the overall context, but our editorial guidelines, which you rightly quoted, clearly state that context is very important. I would encourage all our journalists to ensure that we are applying that approach.

Ross Greer: I presume that, if “Debate Night”, which is the Scottish equivalent of “Question Time”, was going to be looking at issues relating to the NHS, for example, and it is widely believed that those groups are funded by US pharmaceutical companies, an invitation would not be extended to them for that programme unless they disclosed to you whether they were funded by relevant interests—for example, pharmaceutical companies.

Donalda MacKinnon: If that were the case, I would hope that we would have uncovered that in our research.

Ross Greer: The point that I am making is that those groups refuse to disclose that information. I presume that, if you were unable to uncover that information because they refused to disclose who funds them, an invitation would not be extended to them, or it would be withdrawn on the basis that they were not providing that information.

Donalda MacKinnon: I would say so.

Ross Greer: Thank you very much. That is very welcome.

Steve Carson: I do not know whether you could make that an absolute rule. I think that the spirit of what you have said is right: we should be mindful that people from organisations might not be neutral and independent. For example, in Northern Ireland, as far as I am aware, who contributes to political parties is still confidential for security reasons. If you said, “If you do not disclose your funding, you cannot appear,” you might cut off a valid form of political discussion and debate.

Ross Greer: Up to a certain point. The political donation rules in Northern Ireland are changing because of the historical issue there. They were understandable for historical security reasons, but we are in a new period now, and those rules have changed, particularly off the back of Democratic Unionist Party funding of the leave campaign in Great Britain, not Northern Ireland. However, the point is that context and information being disclosed to the viewing public are important issues.

Let us consider the examples that we are aware of because of disclosure rules elsewhere. We know that some of those groups are funded by tobacco companies. If they were invited to a newspaper review in which public health issues relating to tobacco were being discussed on air, for example, it would be right for the BBC to disclose to viewers that the person commenting was from an organisation that is funded by the tobacco lobby. If that information was not disclosed, that would be a disservice to the viewing public. That is why the editorial guidelines have changed. I hope that we all agree on that point.

Donalda MacKinnon: The editorial guidelines were changed for good reason.

Kenneth Gibson: I congratulate you on the success of your new channel. I hope that it continues to go from strength to strength and flourishes even more as the years progress. The 80 new jobs in the newsroom will be particularly welcome given the pressure on journalistic jobs in Scotland and across the UK in recent years.

I share the concerns that have been expressed by other members if “Politics Scotland” is to be suspended during the campaign—I have watched the BBC’s live feed of this committee on it. There is no information as to whether or not that is the case. We are told that “Holyrood Live” will continue throughout the campaign, so that is something. Donalda, I would have thought that, given that you are the director of BBC Scotland, if such a decision on “Politics Scotland” had been taken, you would have been integral to that decision or would at least have been consulted on it beforehand. Who would have made such a decision, if such a decision has been made?

Donalda MacKinnon: I would like to establish whether that decision has been made, Mr Gibson, but, yes, I imagine that there would and should be consultation.

Kenneth Gibson: When we met at the SNP conference, I asked whether you are watching “Politics Scotland”, and you said that you missed the first few minutes—as I did last Sunday and have done on a number of occasions—it being a Sunday morning. Returning to the start of the programme always takes you to the programme from the East Midlands—although last week it was the programme from the north-west of England. It does not actually take you to “Politics Scotland”.

The other thing about that programme is that it has always followed Westminster recess times rather than Holyrood recess times. The word “Scotland” is there and it might cover Scottish politics, but it obviously does not prioritise Holyrood. It is very much a Westminster-based programme. I hope that the BBC will look into that in detail in order that it becomes a bit more focused not just on what is happening in the Scottish Parliament but on the schedule that we operate here. It would be good to find out what the position is on “Politics Scotland”, although I realise that you cannot communicate with people today.

I want to move on to your accounts. The Scottish Parliament information centre briefing talks about the £249 million of expenditure in Scotland and the £311 million that is raised here. However, if we look at your accounts as published on 2 July—table 2 on page 171 breaks the figures down a bit further—we see that only £112 million of the £249 million is categorised as local spend.

Network content accounts for £80 million of that spend and the total network spend is some £85 million. Then there is various other expenditure. The figure of 80 per cent is therefore not an accurate reflection of the expenditure in Scotland of the money that is raised in Scotland. Of that £311 million, the local spend is £112 million according to your accounts. What happens to the differential—the £62 million—between the £311 million and the £249 million? Where does that money go?

10:30

Glyn Isherwood: In total, £249 million is spent in Scotland. The network spend in Scotland is on programmes that are made in Scotland for the broader network. Across the whole of the BBC, there are costs that we take on, such as the cost of providing the World Service, the cost of sports rights and the cost of putting on international productions—including the Commonwealth games and the world cup—which do not reside in any of the nationalities across the UK. Because of those costs, it is impossible for everybody to get back 100 per cent of the income. Everybody's expenditure will be sub-100 per cent, which is why the figures for Wales, Scotland and England are less than 100 per cent. It is unlikely that the figure would get to 100 per cent in BBC Scotland because of the other, outside UK activities that we have to fund.

Kenneth Gibson: I appreciate the network spend. No one here would suggest for a minute that we should not make that solid contribution. However, it seems a bit of a misnomer to put that figure under expenditure in Scotland when it is Scotland's contribution to the network.

The other question that I asked was about where the differential—the difference between the £311 million of income and the £249 million that is spent in Scotland—goes if you are already committing a chunk of that £249 million to the network. Looking at the bare figures, I would assume that £249 million is spent in Scotland and the other £62 million supports the UK network. That would be fair enough. However, it seems that the UK network is being supported from within that £249 million. So, where is the other 20 per cent?

Glyn Isherwood: Sorry—perhaps I did not quite make myself clear. The remainder is spent on things outside the UK. If we provide coverage of the Commonwealth games, that is not spend in the UK. That accounts for some of the gap between the money that is raised in Scotland from licence fee payers and what is spent in Scotland. The cost of providing the BBC World Service is also money that is spent outside the UK, but it is funded partly by all the licence fee payers across the country.

Kenneth Gibson: That is interesting, because the comparable figures for England are £3 billion in income and £2,136 million in expenditure. If what you are saying is correct for both England and Scotland, £949 million would be contributed towards things outside the UK, which cannot be the case unless the BBC has built up some massive strategic reserve. Why is the figure for the expenditure of income only 69.2 per cent in England? Surely, London gets a colossally disproportionate amount of BBC expenditure—although the BBC has been trying to move it out to other parts of the United Kingdom, including within England.

Glyn Isherwood: The World Service accounts for more than £250 million of that expenditure. There is a cost for sports rights, and last year we had the Commonwealth games and the world cup. We also have distribution contracts with international companies that operate satellite contracts. There is a range of costs, including for outsourced provision of services and facilities in other parts of the world. Specifically, there is a financial and administrative operation that works from Chennai.

Kenneth Gibson: You are saying that £1,019 million of the BBC's £3,677 million of income is spent outside the UK.

Glyn Isherwood: And on things such as sports rights.

Kenneth Gibson: Okay. Thanks.

A big political issue in recent months—certainly over the summer—has been the issue of the licence fee for over-75s. Older people used to get their licence free: £745 million was spent on that. However, the UK Conservative Government effectively lumped that on to the BBC, saying, "It's up to you whether to continue that." The BBC took a compromise position regarding older people who are on pension credit. I understand that the amount that was spent on that in Scotland by the Department for Work and Pensions was £52 million in the year before last—last year, it was £38 million. If the BBC in Scotland will be picking up that burden out of a £311 million income, what will be the on-going impact on jobs and programming?

Glyn Isherwood: Let me backtrack slightly. You are right that the BBC made a decision—it was handed that responsibility by the UK Parliament—following a significant consultation with the UK population, and we will continue to supply free licences to the poorest in society through people who have access to pension credit. That comes at a cost to the BBC of £250 million per annum. We have agreed that we can fund £150 million of that through the cessation of money being put aside for the roll-out of broadband rurally—that obligation

has come to an end for the BBC—although we would clearly like to use that money to invest in pan-UK services.

The other £100 million will have to come out of efficiency savings across the whole of the BBC. Over time, we have made significant progress on that. As the committee will know, we have significantly reduced our property footprint across the BBC. We have sold off many of our London properties and consolidated down, which has driven significant savings and continues to do so. We procure contracts efficiently and, through doing that, make savings every year, avoiding inflation costs. We think carefully about how we buy services across the UK and about how we can do things more efficiently and invest in technology to do that. We have also made significant reductions through our headcount, particularly at a senior level: we have halved the number of senior leaders across the BBC.

We have a programme of savings that goes forward. However, you are right to say that, if you took the straightforward read across, you would assume there would be a saving across Scotland. We are not planning to particularly target or reduce services in Scotland through that saving; we are looking to make savings through delivering more on our efficiency agenda. If we can provide our services more efficiently in Scotland, that will give us the opportunity to put money towards a concession or a more audience-facing creative investment.

Kenneth Gibson: Yes, but you are still talking about potentially 12 per cent of the BBC's income in Scotland going towards that. You can sell assets only once; you can reduce your headcount only once; and you can reduce your number of senior managers only once. There will have to be an on-going commitment year in, year out. What will be the impact on programming—including, for example, the growth of the new channel—and on your headcount?

The headcount in Scotland is 988 direct posts and 1,203 in all services. How are those figures going to look a year from now, given the impact of your efficiencies? Will they be 10, 12, 5 or 20 per cent less? How will your efficiencies impact on things like the making of new comedies, dramas, news programmes or whatever? That is what we really want to know.

Glyn Isherwood: Our savings programme clearly makes it more difficult to invest, because it is more constraining. We would have liked to have put more money into Creative Scotland, but we are constrained by having to provide the concession to people who receive pension credit. We are, however, looking to sustain our level of investment here and make Scotland a priority. Out-of-London expenditure is a general priority

across the BBC—the director general made some speeches about that quite recently.

That has the twin benefit of providing pan-BBC representation across the nations and enabling us to drive scale and efficiency across the UK. Having drama coming out of a production centre in Wales is great when there is such a hot market for drama and talent in London. Having the technology in Pacific Quay and drawing on the talent from Scotland is great and has a twin purpose: it means investment in Scotland but also that we can supply BBC technology and invest in the future at a lower cost than if we were dealing with the market in London, which is very hot at the moment for software engineers.

Kenneth Gibson: That was a fascinating answer, but I am still not sure what the impact will be on your headcount and your programming content going forward. Will there be fewer dramas, and will there be fewer people working at the BBC in Scotland—or, indeed, in the UK—as a result of your savings programme?

Glyn Isherwood: As we have stated, we signed the memorandum with Scottish Screen earlier this year. It is early days, but we have a firm commitment to deliver three dramas, three comedies and three factual programmes every year, and we have the ambition to do that. That is what we aim to do. We are not looking for savings coming out of the over-75s issue to reduce that creative commitment.

Kenneth Gibson: I will ask a final question if I may, convener. If the UK Government had continued to pay these licence fees and you still had the £38 million, what would you be doing that you are not going to be able to do? Would you be delivering four dramas and four comedies each year, for example? What would be the position if you were not losing that money? I know that you are doing your best to be as diplomatic as possible about it, Mr Isherwood. I commend you for doing that and for trying not to get into the political fray, but we are trying to get factual answers.

Glyn Isherwood: It is quite clear—it comes out in the Ofcom report—that it wants us to invest in and prioritise young audiences, and that is a challenge for all UK broadcasters. The Scottish channel has been set up in a way that helps that, and The Social is a strong piece of investment to achieve some of that.

We would also like to invest in reducing the deficit across the whole of the nation if we had additional funds, and there are a range of things that we would like to do by investing in iPlayer and BBC Sounds. Those are all things that we would like to invest in because we are in unprecedented times, facing competition from global players that

are coming to the UK, such as Spotify and Netflix, but we feel constrained in the current environment.

The Convener: To follow up on Mr Gibson's first questions about "Politics Scotland", when you replied to him you suggested that you would expect to be consulted about any decision. Who would make that decision?

Donalda MacKinnon: If it is okay with you, I would rather go and interrogate and investigate that afterwards. I am slightly at a disadvantage because I do not know about it.

The Convener: I appreciate that this seems to be something that has emerged while you have been here but, presumably, you know who would make that decision, if it was made.

Donalda MacKinnon: It would be our head of news and current affairs who would make that decision, but I do not think he would make it without talking to me about it.

The Convener: Do you mean the head of news and current affairs in Scotland?

Donalda MacKinnon: Yes.

The Convener: It would not be a UK decision.

Donalda MacKinnon: No.

The Convener: That is good. Thank you for clarifying that.

To go back over some of the figures in the accounts, other members have raised the issue of the distribution costs, which have risen in the Scottish accounts from £33.5 million in 2017-18 to £42 million in 2018-19. The figures are quite opaque, so there are some questions over that.

In addition, as a proportion of total expenditure, the distribution costs that are charged to Scotland as a nation differ markedly from the costs that are charged to England. According to your accounts for the BBC in Scotland, distribution costs are £41 million out of a total expenditure of £249 million, which is 16 per cent. In England, the figure is £116 million out of £2,136 million, which means that 5.4 per cent of expenditure there is accounted for by distribution costs. Can you explain why there is such a big difference?

Glyn Isherwood: On your first question, periodically we review how we allocate costs to our services. We do that with the objective of making it clearer and more understandable for people who read the accounts. We allocated the distribution costs in a different way in 2019 and, when we do that, it makes sense—and all organisations do this—to restate the figure for the prior year to make it directly comparable. It just makes it clearer.

On your second comment, the reason why distribution costs are proportionately higher in Scotland than in England is that Scotland has dedicated services that require distribution. Although BBC Scotland was launched only in the year, it will have an allocation of distribution costs for that. There are also BBC Alba and Radio Scotland services. That accounts for a higher proportion of costs going on distribution.

10:45

The Convener: A lot of people will not find that very convincing, to be perfectly honest, because there are huge amounts of spend in London. London produces many more network programmes and very high-value programmes. There is a big difference—5.4 per cent to 16.4 per cent.

Glyn Isherwood: It is accounted for by the fact that there are dedicated services in Scotland.

The Convener: I think that a lot of people will find that unconvincing, particularly when the figures are compared to the spend in London. There is not a huge amount spent on these dedicated services compared to your UK spend.

To go back to the dedicated services, I would like to congratulate you on your new channel as well. I have heard a lot of good feedback about it and I wish it well. Do you think that enough money is being spent on the new channel given that your accounts show that the new channel is receiving £12 million whereas the Welsh-language channel gets £22 million? My understanding is that that channel is the closest comparator. Could you do a lot more with more than £12 million?

Donalda MacKinnon: Always. What we are talking about with these accounts is the spend to date—the total spend for the year will appear next year. We always said that it would be challenging to launch a brand new television service in what is already a very crowded marketplace, and challenging to do so with the sums of money involved. However, as we said we would, we have used those sums of money as wisely as we could to generate further income. It is a great credit to the creative sector in Scotland that we have partnered with it and with other agencies and commissioning bodies, not just within the BBC but beyond the BBC, to make as much of the investment as possible. We will continue to do that.

I was asked previously whether, if I needed more money, I would ask for it. The answer to that is yes. I am also very conscious of the constraints that face the BBC currently and I am keen to do all that we can to secure the good health of that service and that channel and all our other services but, at the same time, be mindful of my

responsibilities to the whole of the BBC for what is delivered.

The Convener: That is a very diplomatic answer. Thank you very much.

Mr Isherwood, when you are looking at how to fund channels, how do you assess the budget for a brand new TV channel? There is £12 million for a channel in Scotland and £22 million for a channel in Wales—it seems a big difference.

Glyn Isherwood: To clarify, the £12 million accounts for just the period of launch up to 31 March. The channel launched in February, so it does not account for the whole-year cost of running the channel. I think that we have publicly stated before that the channel will have a content spend of some £31 million or £32 million per annum, which is ahead of the Wales comparator.

When we look forward at how we allocate spend across channels, we are mindful of our audience challenges. The BBC Scotland channel will compete against other services, and we want to back success. We will seek to place what additional investment we have in the channels that are successful and meet audience needs—in terms of representation, viewer figures and all that kind of stuff—most effectively. Across the UK, BBC 1 is a very cost-efficient way of delivering across all audiences. BBC Scotland has a smaller reach and is harder, so its cost per viewer hour will be higher. That will come down as it grows and establishes itself. I think that we are watching carefully to see how it works next year.

The Convener: But you cannot look at Scotland from a metropolitan position. That is always going to be the case in a country such as Scotland. It has a very different demographic and distribution of population, so you cannot judge Scotland and the success of your content in Scotland in the same way as you would in highly urban areas in the south of England.

Glyn Isherwood: No, but I want to relate it to the overall objectives of the BBC and the objectives for Scotland. As Mr Gibson mentioned, with tighter funding we have to think carefully about how we deploy the best money we can in the best way for Scotland in the broader sense, whether that is network production representation of Scottish voices or expenditure and investment in BBC Alba, radio services or the BBC Scotland channel. There is quite a lot in the mix just within BBC Scotland of what we choose for investment and spend.

The Convener: Obviously if the distribution costs came down, the money that is saved could be put into the new Scottish channel, which I am sure Mr Carson and Ms MacKinnon would be very pleased about.

Thank you for your time today and coming to give evidence to the committee. We will now move into private session.

10:50

Meeting continued in private until 11:17.

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