

CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE

21st Meeting, 2022, Session 6

29 September 2022

BBC annual report and accounts

1. On an annual basis, the BBC are committed by a Memorandum of Understanding to lay reports and accounts in the Scottish Parliament and to submit evidence and/or appear before Committees of the Scottish Parliament on matters relating to Scotland.
2. Under Agenda item 1, Members will hear from the following witnesses, who will join the meeting remotely—
 - Steve Carson, Director, BBC Scotland
 - Leigh Tavaziva, Group Chief Operating Officer, BBC
 - Louise Thornton, Head of Commissioning, BBC Scotland
3. A SPICe briefing on the background, activity and performance of the BBC in 2021/22 and BBC Strategy is provided in **Annexe A**.

**CEEAC Committee Clerks
September 2022**

The logo for SPICe, consisting of the letters 'SPICe' in a white, sans-serif font on a dark purple background.

The Information Centre
An t-Ionad Fiosrachaidh

Constitution, Europe, External Affairs and Culture Committee

BBC Annual Report and Accounts

29 September 2022

Background

Following the Smith Commission, a [Memorandum of Understanding](#) was agreed between the BBC, the UK Government's Department of Media, Culture and Sport, the Scottish Government and (through a [motion agreed on 23 June 2015](#)) the Scottish Parliament.

The MoU committed the BBC to lay annual reports and accounts in the Scottish Parliament and to submit evidence and/or appear before Committees of the Scottish Parliament on matters relating to Scotland in the same way it does for Committees of the UK Parliament. This arrangement was subsequently incorporated into the BBC's Charter. The Committee [last took evidence from the BBC in September 2021](#).

The [BBC's most recent annual report and accounts](#) cover the year 2021/22 and were published in August 2022. This paper covers: the activity and performance of the BBC in that year; the strategic outlook of the BBC; and wider policy debates.

Ofcom regulate the activities of the BBC. It also produces an annual report on the BBC following the publication of the BBC's annual plan. The most recent was published in [November 2021](#) and referred to 2020-21 financial year.

Activity and performance of the BBC in 2021/22

Overall income and expenditure

The accounts for the BBC as a whole show that the total income for the group in 2021/22 was around £5.5bn. Of this, £3.8bn was licence fee income and £1.7bn from other income, such as from its commercial activities, primarily BBC Studios.

Operating costs were around £5.2bn and there was a surplus of £206m in 2021-22. (p54)

Licence fee income grew by £50m (around 1.3%) between 2020/21 and 2021/22. Improved commercial income led to a 16% year on year increase in non-license fee income.

The Chief Operating Officer, Leigh Tavaziva's report stated that the BBC has a proven record of making savings and the BBC would continue to seek to make itself leaner and more efficient. She said

"In 2016, in response to the 2015 licence fee settlement, the BBC started a programme of savings and reform targeting £800 million ongoing savings by 2021/22. This year we successfully delivered an additional £274 million of in-year savings bringing total savings at the end of the plan to £1,029 million, including £38 million of one-off savings." (p52-53)

The value of licence fee income in Scotland rose by 0.6% to £311m in 2021/22. The BBC's annual report sets out the spend relating to programmes produced in Scotland. These are reproduced below along with the corresponding figures for the previous 2 years.

Expenditure by service in Scotland

	(£m)		
Network Spend	19/20	20/21	21/22
TV (inc. Sport and Children's)	71	42	68
Radio	3	3	3
Online	3	5	4
Total network spend	77	50	75
Local spend			
TV – BBC One	35	28	34
TV – BBC ALBA	8	9	9
BBC Scotland	44	34	37
Radio Scotland	24	23	24
Radio nan Gàidhael	4	4	4
Online (and red button)	10	10	10
Total local spend	125	108	118
National Orchestra	5	5	5
Development	7	8	8
Distribution	37	37	35
Total	251	208	241

Source: BBC Annual Report and Accounts

The table above is in three sections: the network spend which is the money on UK-wide content or shows; the local spend on shows which are specific to Scotland; and others, including the BBC Scottish Symphony Orchestra.

Overall the spend in Scotland reduced by £43m between 19/20 and 20/21 and has rebounded somewhat in 201/22.

Network spend and output of shows on UK-wide BBC TV channels produced in Scotland is subject to a quota of 8% of the total. In 2021/22 the figure for spend on Network TV programmes produced in Scotland was 9%. In terms of the Network TV output, measured in hours, 15% of the output was from Scotland. (p142)

The BBC present a breakdown at a UK level of how licence fee income is spent. The table below sets this out in percentage terms.

Television	55%
Radio	16%
Online	10%
World Service	10%
Other services and production costs	5%
Licence fee collection and pension deficit cost	4%

Not all of the licence fee collected in Scotland is badged as being spent in Scotland. The table below sets out the spend as a percentage of the licence fee collected in each nation.

Spend as % of Fee income	2019/20	2020/21	2021/22
England	69%	59%	69%
Scotland	85%	67%	77%
Wales	118%	90%	99%
Northern Ireland	113%	84%	97%
Total GB & NI	74%	62%	72%

Across those years, England has the lowest percentage of licence fee income identified as being spent in that country and this is lower than the average for GB and NI. All the other nations' percentages are higher than the average for the whole of GB and NI, with Wales and Northern Ireland above Scotland.

[Glynn Isherwood, the then Group Finance and Operations Director, told the previous committee in 2019](#) that one of the reasons for Wales' percentage being higher is the amount of drama produced in Cardiff. Furthermore, he said that there are fixed costs in having nation-based organisations which means that the spend per head is higher in smaller nations. (Col 22)

The Committee explored the reasons for the large gap between licence fee income, at a GB and NI level, and the amount identified as being spent within that territory by the BBC. [Mr Isherwood told the Committee in 2019](#)—

“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.” (col 28)

It is also worth noting that spend allocated to one nation might include activity in another. For example, the Six Nations is allocated in England (Salford), but clearly includes activity and spend in Scotland. [Ofcom sets out the rules](#) for how a programme’s geographic allocation is determined. To further complicate matters, returns from the BBC’s commercial activities are becoming more important in the funding of the service and it is unclear to what extent the activities and profits of those businesses support different nations’ creative industries.

Another measure to understand the BBC’s footprint in Scotland through the level of direct employment. The Annual Report provides data on both the total BBC headcount in Scotland and the headcount of staff supporting Scottish services averaged across the year. In 2021/22, the figures were 1,225 and 962, down from 1,306 and 1,009 in the previous year. The BBC also provides data on the overall group employment. (p62) The BBC-wide figures are in FTE, but it is possible to create a headcount figure from the footnotes. On average the BBC group headcount was 20,358 and therefore the percentage of the workforce in Scotland was 6.0% (up from 5.6% the previous year) and those supporting Scottish services produced in Scotland was 4.7% (up from 4.3%) of the group total.¹

Scotland specific output

Ofcom’s Media Nations report examines key trends in the media sector and sets out how audiences are served in Scotland. [The report for 2021 was published in August this year.](#)

Ofcom reported—

“BBC hours of first-run content in Scotland dropped by 3% in 2021 to 1,473 hours. Overall, news content makes up the largest amount of the BBC’s output for Scotland, comprising 55% of first-run hours.”

Ofcom also reported that BBC One was the most-used source for news in Scotland in 2021. Ofcom stated—

“About half of all adults in Scotland (51%) use BBC One for news in general, making it the most-used news source, followed by STV (45%). Other TV channels in the top ten included Sky News Channel, BBC News Channel and Channel 4. Social media ranked highly too, with Facebook the third most popular source of news (38%), Twitter the sixth most popular (20%) and Instagram (18%) eighth. The BBC website/app was the highest-ranking

¹ The figures for the full group include BBC Studios and other commercial businesses. It is not clear if the figures quoted for Scotland include or exclude the commercial arms of the BBC. The percentages should therefore be treated with due caution.

website or app (19%), and BBC Radio 2 was the top radio station cited (16%). No newspapers made the top ten.”

Ofcom also ask for views on the preferred news source about the respondent’s own nation. The data for all four nations is set out below:

England		Scotland		Wales		Northern Ireland	
BBC One	31%	STV	31%	BBC One	46%	UTV	47%
ITV	18%	BBC One	26%	ITV Wales	28%	BBC One	38%
Facebook	17%	Facebook	15%	Facebook	21%	Facebook	18%
BBC website/app	8%	BBC website/app	10%	BBC website/app**	8%	BBC Radio Ulster/Foyle	13%
BBC News Channel	6%	BBC Scotland TV	9%	Twitter	6%	BBC website/app	11%
Twitter	5%	Twitter	8%	Any Wales based news sites/apps	6%	Cool FM	10%
		BBC Radio Scotland	7%	BBC Radio Wales/Cymru	5%	U105	6%
		BBC News Channel	6%	BBC News Channel	5%	Twitter	6%
		Bauer local commercial radio	6%			The Belfast Telegraph	5%
		Instagram	6%			Any NI based news website/app	5%
		Any Scotland based daily newspaper	5%				
		Any Scotland based news sites/apps	5%				
		Sky News Channel	5%				
Don't follow region news	10%	Don't follow Nation news	5%	Don't follow Nation news	6%	Don't follow Nation news	2%

The BBC’s operating licence which came into effect on 1 January 2018, must fulfil regulatory conditions specific to Scotland. Among other things, this operating licence states that in each financial year the BBC must ensure that in respect of BBC One Scotland and BBC Scotland taken together:

- the BBC must provide a range of genres in its programming that reflect Scotland’s culture;
- in respect of BBC One Scotland, at least 290 hours must be allocated to news and current affairs programmes; and at least 155 hours to non-news programmes;
- in respect of the BBC Scotland channel, there must be at least 212 hours of news shown in peak viewing time in 2019 (and 250 hours after 2019);
- at least 90% of first-run UK originations must be made in Scotland; and
- the BBC must ensure a suitable range of programmes, including news programmes which contain news from across Scotland or reflecting a Scottish perspective.

This summer, [Ofcom consulted on changes to the BBC’s operating licence](#). A number of suggested changes are relevant to the BBC in Scotland, including—

- retaining the requirement on news for BBC One Scotland, BBC ALBA and BBC Scotland, and that at least 90% of first-run UK originations must be made in Scotland;

- replacing hours of non-news programming quotas for BBC One Scotland with conditions for delivering this content. This change aims to provide the BBC with more flexibility to deliver programming on iPlayer as well as on TV; and
- requiring the BBC to set out its plans for providing a range of content for the nations on iPlayer and to report on delivery alongside its Annual Report.

The content spend of the BBC Scotland channel in 21/22 was £37m, up around £3m from the previous year. Its reach, i.e. the percentage of the population who use the service on average per week, was 18%, down from 21% in the previous year. BBC Radio Scotland spend was £24m (+£1m year on year) and its reach was 20%. In terms of Gaelic medium broadcasting spend was unchanged at £9m and its reach in the adult Gaelic community in Scotland was 55% (-4% pts); BBC Radio nan Gàidheal spend was unchanged at £4m and its reach in the adult Gaelic community in Scotland was 56% (-2% pts).

Audience

The BBC also reports on audience, reach and the impressions of the BBC.

Across the UK, the BBC report that—

- In an average week 90% of UK adults, 81% of young adults (16-34) and 73% of under 16s used a BBC service every week.

The BBC also reports the reach and impressions of the BBC in each nation.

	E	S	W	NI
BBC is effective at informing, educating and entertaining people in the UK like them	68%	66%	71%	67%
BBC is effective at providing content/services that set a high standard for quality	67%	66%	68%	67%
BBC is effective at reflecting people like them	54%	55%	50%	57%
Pan-BBC reach	90%	88%	90%	91%
BBC Television reach	73%	75%	72%	73%
BBC Radio reach	62%	58%	70%	58%
BBC TV News reach	35%	44%	37%	48%

BBC Online reach	60%	61%	66%	59%
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A key part of the BBC's long-term strategy is the development of its online services and attracting younger age groups. 2021-22 saw the continued growth in the number of iPlayer accounts signing on weekly to 12.1m (up 1.4m year on year). The proportion of BBC TV consumed through the iPlayer also grew and is now 16% overall and 43% for 16-34 year olds. The number of BBC Sounds weekly logins was 3.8m, up from 3.5m the previous year.

On some measures Scottish consumers have lower satisfaction ratings than other parts of the UK. Ofcom's annual report on the BBC looking at the year 2020-21 highlighted this, it said—

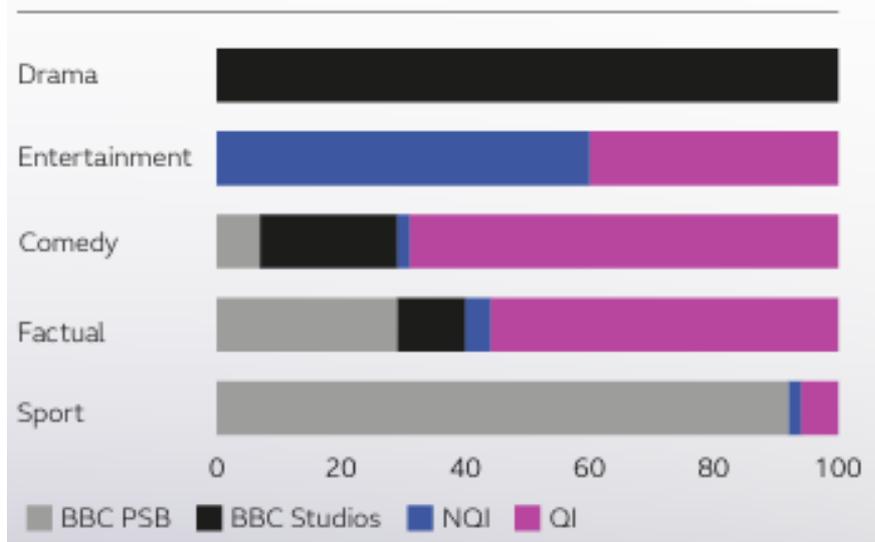
“We have consistently seen that some audience groups have lower satisfaction with the BBC, such as disabled audiences, those in Scotland and those from less-well-off backgrounds.”

Independent producers

All public service broadcasters must commission at least 25% of their hours from independent producers who met qualifying criteria. The criteria for qualifying as an “independent producer” include not being more than 25% owned by a broadcaster operating in the UK or 50% owned by two or more UK broadcasters.

Overall, the [BBC continues to exceed this target](#). In 21/22, the BBC worked with 334 producers, of which 18% had their substantive base in Scotland – the highest percentage of any nation or region outside of London. The BBC reported that 42% of commissioning spend has been to ‘indies’. The BBC's [Commissioning Supply Report 21/22](#) illustrated the balance of production company types of BBC Scottish output and this is set out in the chart below. (QI here means qualifying independent, NQI – non-qualifying independent.)

Levels of business by genre



The chart excluded BBC Alba which is 99% BBC PSB and 1% qualifying independent.

Under the [current framework agreement](#), by the end of 2027, the BBC must ensure competition between BBC producers and external producers (whether qualifying as independent producers or not) for much of its output. This includes—

- 100% of relevant TV programmes
- 60% of total relevant radio broadcasting time
- 100% of relevant online material

Among other things, “relevant” here excludes news and news-related current affairs programmes.

Across the BBC, in 2021/22 62% of relevant TV hours, 55% of relevant radio hours and 72% of relevant online spend were contested. The level of contested hours in Scotland-specific output was not set out in the Commissioning Supply Report.

BBC Strategy

Purposes and strategy

The BBC’s mission as set out in the Royal Charter is “to act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain.” The Charter sets out the BBC’s five purposes. These are:

- To provide impartial news and information to help people understand and engage with the world around them

- To support learning for people of all ages
- To show the most creative, highest quality and distinctive output and services
- To reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom
- To reflect the United Kingdom, its culture and values to the world

The BBC reports on these purposes and some of the indicators quoted in the previous sections relate to these purposes directly.

Annual plan

The annual report looks back to the previous financial year. The BBC also produces an [Annual Plan](#) which sets out the challenges and plans for the current year and beyond.

The strategic priorities for the current year are:

- Strengthening impartiality
- Creating more distinctive, high-impact content
- Transforming our digital offer and capability
- Accelerating commercial and global growth
- Delivering reform of the BBC, getting closer to audiences across the UK, and managing the impact of the first year of the new licence fee settlement.

The annual reports refer to 6 strategic priorities which link reasonably well to the list above. In the [previous Annual plan](#) BBC has set out a six-year plan to transform itself over the remainder of the current charter. The plan aims to “deliver the biggest programme of reform since the 1990s and help restore the UK’s creative economy after the pandemic.” It had five points—

- Getting closer to audiences across the country, through a bold transformation to serve the whole UK, its Nations, regions and communities
- Protecting and nurturing our democracy and civil debate, by championing impartial news and reflecting all views, opinions and identities across the UK
- Stimulating the UK’s creative sector, through spreading TV, radio and online production and commissioning across the UK and building creative and digital partnerships
- Providing learning and skills to all, through an ambitious programme of formal and informal learning, career development and apprenticeships

- Delivering impact across the world, tackling propaganda and misinformation and reflecting the UK's culture and values.

Neither annual report covering 21/22 nor this year's annual plan refer to this 6 year plan.

The BBC Across the UK

In March 2021, the BBC published [The BBC Across the UK](#). This set the BBC's plans to move more of its services and output away from London and the South East. It said—

“Our ‘Across the UK’ plan will transform the BBC by making a decisive shift in its footprint. Over the next six years we will recreate the BBC as a genuinely UK-wide organisation with a much stronger presence across the length and breadth of the country. This shift will move the creative and journalistic centre of the BBC away from London to a much more distributed model that moves not just people, but power and decision-making to the UK's Nations and regions. . . . Taken together, these proposals mean the BBC will cumulatively spend at least an extra £700m outside London by 2027/28, generating an additional economic benefit to those parts of the UK of around £850m.”

In Scotland, the BBC has made a range of commitments to improve representation and investment, and to develop new talent.

- The BBC will increase its operations in Glasgow, physically expanding its BBC Studios bases as well as moving the Technology reporting team there.
- The BBC will double the number of nations' co-commissions, including those from Scotland, which appear on UK-wide channels.
- Over the next three years more than a hundred drama and comedy titles will reflect the lives and communities of audiences outside London, of which at least 20 will portray Scotland, Wales or Northern Ireland.
- As well as renewing its partnership with Screen Scotland (see the section below), the BBC has committed to modernising the BBC/MG ALBA partnership and developing BBC ALBA and BBC Radio nan Gàidheal services to increase their digital impact.

Serota review

The Serota review followed the Dyson Review which had looked at the circumstances surrounding Martin Bashir's 1995 Panorama interview with Diana, Princess of Wales. The Dyson review found failures in the application and oversight of editorial values and the BBC Board subsequently commissioned a review looking at current editorial processes and culture, led by Nicholas Serota (a BBC Board member).

The Serota Review was published in October 2021. It made recommendations in several areas in relation to editorial values, culture, oversight and support. It also made recommendations on how the BBC should support and respond to criticism from both inside and outside of the organisation. The BBC published a [10-point plan in response](#).

Ofcom's [annual report on the BBC, published in November 2021](#), touched on the Serota review and the BBC's response. It said that it will be "critical that the BBC rigorously holds itself to account in how it delivers the actions it has set out and transparently reports on progress". The BBC is not required to be neutral on every issue. It is required to show due impartiality. Ofcom describes the task of achieving this as a "complex challenge for the BBC". Ofcom contrasted audiences' rating BBC news highly for trust and accuracy, with lower ratings for impartiality. Ofcom stated—

"Our audience research also shows that the perception of impartiality continues to be an area where audiences are less favourable about the BBC. In research conducted for our 2019 News Review we found that some audiences tended to base their perceptions of the BBC's impartiality on what they think about the BBC more generally. For example, in our qualitative research, we heard that views were influenced by the BBC brand, its funding mechanism and its portrayal in wider media. We also note that some audience groups are less satisfied with the BBC more generally, including those in DE households and audiences in Scotland. The BBC will need to consider these factors alongside its Impartiality and Editorial Standards Action Plan ... Given the apparent disparity between audience attitudes on the BBC's impartiality and its good record of compliance with the due impartiality broadcasting rules, it is important for the BBC to find creative and engaging ways of delivering – and demonstrating – to audiences its commitment and approach to due impartiality, in order to retain trust."

Diversity

The BBC aims to have a gender balanced organisation, with at least 20% black, Asian and ethnic minority staff and at least 12% disabled staff by March 2026. It calls this its "50:20:12 targets". This year, the BBC has also introduced a "target of 25% for social and economic diversity". (Annual report 21/22 p64) The percentages of the BBC workforce in March 2022 for women, BAME staff, and disabled staff were, respectively, 49.5%, 16.4%, 9.3%. The figures for leadership roles were all lower.

In terms of commissioning programmes, the current annual plan stated—

"In April 2022 we will be one year into our three-year Creative Diversity Fund commitment to spend £112 million of our commissioning budget (£100m from TV and £12m from Radio) on diverse content and strengthening diverse leadership on our programmes. Alongside this, the BBC has a commitment to ensure diversity behind the camera across three protected characteristics: Black Asian Minority Ethnic (B.A.M.E.), Disability and Socio Economic Diversity (SED) in all new commissions, to drive change in off-screen representation. The BBC's highly successful 50:50 gender equality

programme designed to equalise female and male representation on screen and on air will continue and has been expanded to include Disability and B.A.M.E.”

Last year, [Steve Carson noted the importance of diversity on and off screen](#). He told the Committee—

“Diversity is incredibly important. Looking at everything through the audience lens—many of us can identify with this—we can see that we cannot properly serve audiences if they do not see or hear on screen people who live near them, look like them and sound like them.”

Relationship with Screen Scotland

An [MoU between Screen Scotland and the BBC was agreed in February](#) 2019 which set out how together they intended “to build a sustainable television industry in Scotland and to improve the on-air representation and portrayal of Scotland and its people”. This was [renewed in December 2021](#), the news release at the time stated—

“The renewed Memorandum of Understanding (MOU), will see the BBC and Screen Scotland jointly invest £3million to support the production of new TV drama, entertainment, scripted comedy, documentary and factual formats on the BBC’s network television services from Scotland and to develop the skills and talent required to devise, develop and produce those new shows.”

Supporting skills

A key aspect of the MoU with Screen Scotland is the development of skills. The MoU commits the BBC and Screen Scotland to together—

“Develop targeted training schemes, apprenticeships, shadowing, workplace-based experience and placements, complementing existing initiatives such as TRC’s SuperSizer and Pact’s Indie Diversity entry level scheme”

Last year, [Steve Carson told the Committee](#)—

“I very much see BBC Scotland as working in partnership with others to create a series of pipelines to nurture and bring through talent. We have our own discrete digital spaces and channels. ... We also have pan-BBC initiatives such as BBC Writersroom, which enables us to support the development of new drama, scripted comedy and scripted writing.”

Changing landscape

The market conditions for broadcasters have changed significantly in the past several years. Technological change has led to more digital platforms including the rise of subscription video on demand, smart speakers, podcasts and so on. This means that there is increased competition for audiences.

One part of the BBC’s response is to focus on its digital offer. Another is to seek to ensure that it is delivering content that reflects and adds to the culture of audiences in the UK. The BBC’s Annual Plan stated—

“British stories are often a critical component of global success – programmes like *Peaky Blinders*, *Line of Duty*, *Downton Abbey* and *Sherlock* are popular around the world. And yet, in the UK, an overwhelming proportion of the content on US-based online services like Netflix, Apple and Amazon is American. ... None of this is a criticism of US-based services. They offer brilliant services and programmes that are an important part of the media mix in the UK. However, their focus is to sell subscriptions not to add to the cultural story of the UK. The point is a broader cultural one – the tendency to winner-takes-most dynamics in online media markets has serious implications for British culture and story-telling. If we continue to value British stories we will continue to need a guaranteed investor of scale and reach at the heart of the UK creative economy, and a provider of services that can put them prominently in front of audiences.”

Wider policy considerations

Licence Fee settlement and responses

In November 2020, UK Government and BBC began negotiations on the licence fee for the second half of the current Charter, i.e. from 1 April 2022 until 31 March 2028. In announcing this process, The [UK Government stated](#)—

“Reflecting the government’s priorities, the Culture Secretary has written to the BBC asking it to set out how it will maximise its commercial revenues and continue to deliver savings. He has also asked the BBC to include details of any further plans to support those in vulnerable groups, including the elderly.”

The [outcome of the licence fee settlement](#) was that the fee will remain at £159 until 2024 and then rise in line with inflation for the following four years. The [BBC’s immediate response stated](#)—

“A freeze in the first two years of this settlement means the BBC will now have to absorb inflation. That is disappointing - not just for Licence Fee payers, but also for the cultural industries that rely on the BBC for the important work they do across the UK. The BBC’s income for UK services is already 30 percent lower in real terms than it was 10 years ago. We will set out the implications of the settlement later, before the end of the financial year, but it will necessitate tougher choices which will impact Licence Fee payers.”

The BBC’s Annual plan for the current year said that the settlement would require further £285m in annual savings by 2027/28 and that this would require “a reduction in the content and services we provide to audiences.”

The Director General gave a [speech to BBC staff on 26 May](#) which set out planned changes to content and services, alongside cutting costs and seeking new commercial investment. This included more moves towards a digital-based service.

Mr Davie outlined £500m of annual savings and reinvestment. Of this £200m is as a result of the licence fee settlement, with remaining required savings to be met in the final three years of the current Charter period. £300m is to support a more “digital-first” approach and create additional commercial income.

Some of the suggested changes included—

- The creation of a single, 24-hour TV news channel serving UK and international audiences, called BBC News, offering greater amounts of shared content, but maintaining the ability to offer separate broadcasts depending on what’s happening at home and abroad;
- Plans to stop broadcasting smaller linear channels, such as CBBC and BBC Four and Radio 4 Extra, after the next few years;
- Plans to stop scheduling separate content for Radio 4 Long Wave, consulting with partners, including the Maritime and Coastguard Agency, ahead of the closure of the Long Wave platform itself;
- An ambition to reach 75% of BBC viewers through iPlayer each week;
- Bigger investment in programming from the nations and regions across the UK;
- Changes in local radio and regional news to ensure high-quality, distinctive BBC local journalism is available every day when and where audiences want it.

These plans would lead to around 1,000 fewer people employed in the public-funded part of the BBC over the next few years.

Future funding models

At the time of the announced licence fee settlement, the then Secretary of State Nadine Dorries MP tweeted “This licence fee announcement will be the last”. However, [during her statement to the Commons](#), Ms Dorries indicated that the future funding model of the BBC had not been decided upon. In [her letter to the BBC confirming the settlement](#), Ms Dorries said—

“While the funding model of the BBC is set for the remainder of this Charter period, there is a need to review the Licence Fee model before Charter review. The BBC has been entertaining and informing us for 100 years - and I want it to continue to thrive and be a global beacon for the UK in the decades to come. However, it is clear to me that rapidly evolving distribution technologies and changing consumer behaviour means that the current Licence Fee funding model is facing challenges to its sustainability and appropriateness. This is something we will need formally to start to consider in the near future, and I hope the BBC is ready to contribute to that consideration.”

The UK Government has stated it will undertake a review of the BBC licence fee and the feasibility of alternative funding models in advance of the next Charter commencing in 2028.

In a [statement published on 6 September](#), the BBC said that it is looking forward to this and welcomes debate about the future of the organisation. The BBC set out “five key principles that will need to be considered in order to underpin the existence of the BBC as a national and global asset for the future.” These are—

How far does any funding model meet the following principles to support the BBC as a national and global asset?

1. Does it deliver the Mission? – providing a universal public service in the UK, to inform, educate and entertain. Everybody uses and benefits from our trusted impartial news, quality British content, and education services.
2. Does it safeguard impartiality and independence? – championing free democracy in the UK and globally. Operating without fear of or favour to political or commercial interests.
3. Does it provide a sustainable financial model? – supporting a BBC to innovate and modernise to meet new audience demands. Enabling the BBC to be ambitious, operate at scale in a global digital marketplace.
4. Does it help the creative economy grow? – enabling the BBC to invest and work in partnership to grow the world-leading UK creative industries, develop British talent and export British content and services globally. Creating a strong UK brand valued across the world.
5. Does it deliver fair value for audiences? – ensuring a system that is fair for our audiences, offering good value versus the market and is widely supported.

The current [MoU](#) agreed following the Smith Commission sets out a formal consultative role for both the Scottish Government and the Scottish Parliament during the process of renewing the BBC’s Charter. In [a letter to Ms Dorries in May](#), the Cabinet Secretary for Constitution, External Affairs and Culture reiterated his “serious concerns” about the current freeze to the licence fee and stated—

“As you are aware, the Scottish Ministers have a role in any review of the BBC Charter, and I hope that we will be given appropriate standing in your proposed review of the licence fee funding model ahead of the next Charter period.”

A [report of the House of Lords Communications and Digital Committee](#) inquiry into the BBC’s future funding explored European examples of funding national broadcasters. That committee explored fully commercial options of advertising and subscription models and recommended these not be taken forward. It also looked at a number of alternative public funding models:

- Hypothecated tax on income

- Telecommunications levy (e.g. a levy on fixed broadband, or fixed broadband connections and mobile connections)
- Household levy
- Grants from the Government
- Contestable funding

The Committee's views on the first three of these possible approaches were mixed, with some discernible preference towards a household levy. The Committee recommended not to pursue direct grants, and contestable funding to be explored as a possible add-on to BBC funding. The Committee also explored possible hybrid models.

Mid Term Review

In [May 2022 the UK Government set out its Mid Term review of the Charter](#). This is separate to the expected review of the licence fee. The purpose of the Mid term review is to—

“Consider how the key changes to the BBC's governance and regulation arrangements made through the current Charter have been implemented, and in particular whether they have successfully enabled the effective delivery of the BBC's Mission and Public Purposes across the UK, including each of its Nations and globally.”

The review will have particular focus on six areas—

- Editorial standards and impartiality
- Complaints
- Commercial governance and regulation
- Competition and market impact
- Diversity
- Transparency

The review will be conducted by officials from the Department of Culture Media and Sport and is intended to be completed within a year (i.e. by May 2023). The DCMS will “work with the BBC, Ofcom and the Devolved Administrations throughout the Mid-Term Review, and will consult them on conclusions before the review is finalised”. The “final conclusions and associated recommendations shall be for ministers”.

Ned Sharratt
SPICe Research
20 September 2021

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