

Scottish Government Policy paper – BBC Charter Renewal

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Scottish Government
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Executive Summary

This paper sets out the Scottish Government's policy position on the renewal of the BBC's Royal Charter, following the agreement of a Memorandum of Understanding between Scottish Government, Scottish Parliament, BBC and UK Government, which gives Scotland a formal role throughout the process of Charter Review, implementing the recommendations of the Smith Commission in this area.

This policy paper has been updated to reflect the publication of the UK Government's white paper on BBC Charter Renewal in May 2016 and underpins our negotiations with the UK Government on the drafting and implementation of the Charter and the Agreement.

The Scottish Government's policy is founded on the following three objectives:

- To empower BBC Scotland to address the concerns of audiences and deliver better outcomes from audiences, including more **representative content** across all outputs.
- To ensure that the governance and structure of the BBC is more responsive, and that, by reflecting the changing devolved structures of the UK, is able to deliver similarly **decentralised** decision making.
- That through these structures the BBC is not only able to deliver better outcomes for audiences in Scotland but also **implement commissioning and editorial practices** which will **support the growth and sustainability of Scotland's creative industries**.

Section One – Charter Dependent Change

The key change we seek is a transformation of the BBC's governance structure to reflect the higher levels of devolution across the UK, and in particular to Scotland, following the Smith Commission. The paper sets out the implications of our key objectives, particularly the decentralisation of the BBC, for - governance, the financing of BBC Scotland and the creation of additional TV and Radio platforms.

Section Two - Non Charter Dependent Change

There are a range of issues which *do not* require changes through the Charter in order to be effected, but would still improve the services offered, and the social and economic impact of the BBC in Scotland. These include: the regulation of production quotas; news, current affairs and sport; listed events; commercial operations (BBC Worldwide); indigenous language production (BBC Alba); and Channel 4.

Section Three - Further Policy Issues

The final section provides an update on two issues within the scope of the BBC Charter process which were still under consideration when this policy paper was first published. With reference to the issue of the regulation of the BBC, the Clementi review has reported, and in relation to BBC studios there are now further details available which have helped to inform the Scottish Government's view.

Purpose

To outline the Scottish Government's Policy for BBC Charter Renewal and to identify any on-going strategic considerations on wider issues related to the BBC Charter where further input from stakeholders is required.

Background

The Scottish Government agreed a Memorandum of Understanding with the UK Government, the BBC and the Scottish Parliament, which sets out a role for the Scottish Government in the future of the BBC and ensures that the BBC will be held accountable to the people of Scotland through their representatives in the Scottish Parliament.

The MoU can be viewed at the following link –

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469863/Scotland_MoU_-_final_signed.pdf

The Scottish Government is working with the UK Government and the other devolved administrations in Wales and Northern Ireland, to develop a new Royal Charter for the BBC, to be implemented by the end of 2016.

The UK Government published its policy position on the future of the BBC in May 2016 and it can be viewed here:

<https://www.gov.uk/government/publications/a-bbc-for-the-future-a-broadcaster-of-distinction>

Process

The Scottish Parliament (primarily through the former Education and Culture Committee) and Scottish Government have analysed the current delivery of the BBC in Scotland and formulated a consensus on the priorities which should be addressed through this Charter Review.

A motion on the principles underlying the need for a strong Public Service Broadcaster in Scotland, and the Scottish Government's policy on the BBC was placed before the Scottish Parliament in February 2016, allowing them to deliver their functions as set-out in the MoU. Following consideration by Parliament and the subsequent vote, the Scottish Government has been negotiating the content of the White Paper, which was published in May 2016. A further Scottish Parliamentary vote will take place once the Charter has been published.

Under the MoU this Charter will only be agreed once all parties are in a position to support the provisions it contains.

Stakeholder Engagement

The Scottish Government has refined its policy through engaging with a wide range of individuals and organisations involved in broadcasting in Scotland and beyond. Alongside a number of thoughtful, challenging and on-going conversations, we have hosted two open stakeholder events in September and December 2015.

Throughout this process there has been, and will continue to be, detailed discussion between the Scottish Government and the BBC. The BBC also gave evidence to the Education and Culture Committee of the Scottish Parliament in January 2016.

On-going Scrutiny

The Scottish Parliament and Scottish Government will have an on-going role of scrutinising BBC Scotland, both through the laying of Scottish specific financial and performance information and scrutiny of the implementation of the Charter once this is in place.

Vision For Charter Renewal

The Scottish Government's vision for the BBC through the period of the next Charter is founded on a recognition of the immense value of a public service broadcaster; indeed, the BBC is one of the most important and influential cultural, social, economic and democratic institutions in the country.

Our policy for Charter Renewal has been developed in the context of what we believe is required for the long term sustainability of the BBC both in Scotland and the wider United Kingdom. The Scottish Government is clear that the debate about the future of the BBC, and, indeed, public service broadcasting more generally, is of fundamental importance to the future success of any specific ambitions that we have for the BBC in Scotland. Overall, this policy position is rooted in the Scottish Government's commitment to public service broadcasting and ensuring the long-term sustainability of the public service broadcasting model, which is empowered to deliver high quality outcomes.

However, in order to maintain the important contribution which the BBC makes to social, economic, cultural and democratic life, we believe that some strategic changes are required:

- To empower and resource BBC Scotland to address the concerns of audiences and deliver better outcomes for audiences, including more representative content across all outputs and platforms.
- To ensure that the governance and structure of the BBC is more responsive, and that by reflecting the changing devolved structures of the UK, is able to deliver similarly decentralised decision making
- That through these structures the BBC is able to deliver better outcomes for audiences in Scotland and implement commissioning and editorial practices which will support the growth and sustainability of creative industries in Scotland.

The Scottish Government's policy proposals for BBC Charter are rooted in a long-standing policy position which has, at its heart, the principle that broadcasting policy should be fully devolved. In the absence of this current level of constitutional change, the BBC Charter process provides the opportunity to deliver elements of the policy vision for broadcasting in Scotland, which may eventually build towards a more significant level of constitutional change in this area.

BBC Charter Policy

This policy is set out in two sections. The first section concentrates on those areas where change is required *through the BBC Charter process*. The second section sets out those areas which *do not necessarily require changes in the Charter* and which *could be addressed by the BBC at any time*. Where there are key issues which require some further thought - these have been highlighted in the text. The Scottish Government welcomes feedback on this policy, and, in particular, the key issues. Details about how to do this can be found at the end of this document.

Delivering the Vision

Whilst at a practical level this vision is focused on budgets, governance structures and other components of the broadcasting and production system, this is with the intention of addressing the fundamental issue faced by BBC Scotland, which is its ability to produce high quality content which is relevant to audiences who pay for that content through the licence fee. Audience satisfaction figures in Scotland, produced by the BBC, illustrate that it is not currently able to fulfil this ambition – the vision of the Scottish Government is to use the process of Charter Review to address this fundamental issue.

At a practical level, the vision amounts to a re-structuring to bring the governance, decision making, editorial decisions and budget responsibility of the BBC into line with the devolved nature of the UK and give Scotland greater autonomy, whilst maintaining an appropriate and strategic link to the wider BBC. The activities of the BBC are not developed and delivered in a vacuum and we believe that a long-term strategic vision for the nations and regions is required if we are to see an improvement in audience satisfaction levels in Scotland, long-term sustained growth across Scotland's creative sector and the long term sustainability of the BBC more generally across the UK and internationally.

In this context, it is important to recognise that whilst parts of the policy relate to editorial control, the Scottish Government is very strongly committed to the editorial independence of the BBC. However, in presenting a case for the devolution of editorial control to Scotland, this is to ensure that appropriate editorial decisions can be made, in particular in relation to news and current affairs which accurately reflect the impact of issues in Scotland. Following devolution and to a greater extent as the recommendations of the Smith Commission are implemented, individual stories and issues will have a differential impact across the UK. For instance, in Scotland where there is devolved control of health and education policies, and elements of taxation it is critical that editorial control for coverage of these issues at a national and UK level is exercised in Scotland to maintain the BBC's reputation for high-quality and accurate coverage.

Section One - Charter Dependent Change

In the context of Charter Renewal, **the key change we seek is a transformation of the BBC's governance structure** to reflect the higher levels of devolution across the UK, and in particular to Scotland, following the Smith Commission.

Strong support for the principle of a high quality public service broadcaster of the nature of the BBC, is also a core part of this policy, and, on this basis, the approach to Charter should be to future proof the BBC to ensure its continued quality and relevance in future decades. The policy presented in the following section is aimed at addressing a range of key issues, such as audience representation, which will contribute to this.

It should also be recognised that the new role, agreed in the MoUs for Scotland, Wales and Northern Ireland will strengthen the degree to which the process is representative and transparent, supporting better outcomes.

We agree that the cycle of the Charter should also be removed from that of elections to remove any suggestion that the renewal process is anything other than an objective assessment of the performance and requirements of the BBC and how it delivers for audiences. We welcome the commitment of the UK Government to delivering an 11 year charter as set out in its white paper.

Delivering for Audiences

The BBC in Scotland has not been able to provide output which has reached a high level of audience satisfaction. The Scottish public's opinion of the BBC's TV news coverage has barely improved since the country's independence referendum with the overall approval rating for BBC news in Scotland at 7.2 out of 10 at the end of 2015, down from 7.4 at the beginning of autumn and only slightly up on a low of 7.0 in the immediate aftermath of the 2014 referendum. Opinions of BBC news have been diverging north and south of the border since the first half of 2013, when Scotland ranked the corporation's coverage at 7.9, only slightly down from the country as a whole at 8 (BBC Trust Report, 17 August 2016). It is essential therefore that this Charter Renewal process addresses this issue. The range of audience satisfaction ratings and reports by the BBC and Ofcom, in addition to the consultation work which has been undertaken by the Scottish Government all suggest that the main reason for the lower levels of audience satisfaction in Scotland than seen elsewhere in the UK are because audiences do not feel that the output of the BBC in Scotland fully represents their views and interests. Whilst there has been a slight improvement in the ratings for news and current affairs since 2008, this remains an issue here and is also seen across other genres and to an extent in radio output.

The core element of this policy proposal is to address this issue by bringing decision making on output in Scotland closer to viewers and listeners through a decentralisation of the control of the editorial and commissioning processes and budget to the BBC in Scotland, empowering them to make decisions which are more representative of the Scottish audience, whilst maintaining a relationship with the wider organisation and the ability to make decisions about what UK network content to broadcast.

Decentralised Structure: implications for editorial and commissioning control and regulation of the BBC.

A decentralised BBC would allow for a greater degree of autonomous decision making at an operational level, leaving it better able to reflect the nations and regions of the UK which it serves.

It is the policy of the Scottish Government that the governance structure of the BBC should be reformed to bring it into line with the constitutional changes which have occurred across the UK since the last Charter.

This policy recognises that there is an asymmetrical level of devolved power across the nations and regions of the UK, and provides the flexibility for a federalised structure of the BBC to be appropriate to each of these positions, with varying levels of decentralised control across individual administrative units within the corporate structure of the BBC as a whole.

This policy would also address the issues the BBC currently faces in terms of the level of engagement with viewers and the degree to which they feel represented by the output of the BBC, which is at less than 50% in Scotland and is also at a relatively low level in the northern half of England, Wales and Northern Ireland. A higher level of autonomy over commissioning and editorial decisions, as well as the running of the organisation in each unit of a decentralised structure, would allow for more representative decisions to be taken with a greater degree of input from members of any board or panel representative of that area.

A decentralised approach to the structures and responsibilities of the BBC would also provide BBC Scotland with the autonomy to consider how to most appropriately represent, empower and engage with Scotland's diverse communities and would enable BBC Scotland to potentially further decentralise services that best meet the needs of Scotland's geographic and demographic diversity whilst benefitting from the 'economy of scale' afforded by membership of the wider BBC 'family'.

This kind of decentralised approach would also allow for services to be configured in such a way that they provide better outcomes for local communities in Scotland. For example, decision making on the mix of BBC radio stations broadcast on FM, MW and DAB are made at a UK level, often creating anomalous situations which do not best serve local communities in Scotland or respond to audience needs. In Orkney and Shetland the DAB frequency carries Radio 1 Extra which has a limited audience, whilst Radio Scotland is not made available on the DAB platform despite much higher audience penetration in these areas.

This structure would also support the delivery of social, economic and cultural outcomes, with the opportunity to address, for example, the current inconsistencies in arts coverage amongst other areas. We believe that Scotland's creative output could be improved in a way that benefits audiences across Scotland and the wider UK. Scotland is home to world class talent, and we want to see access to and engagement with this talent, widened and deepened. We want to see increased collaboration between the BBC and Scotland's creative sector and we want to see Scotland's creativity nurtured, celebrated and reflected more meaningfully across

Scotland, across the UK and, indeed, the world. We also recognise the role that Creative Scotland must play in this relationship and will be working with them and the BBC to enhance the effectiveness of support both for the creative industries through this model.

Accountability for Delivery

The UK Government's white paper sets out an intention to **Create a strong unitary board for the BBC, enhancing its independence**. *The board will be fully responsible for the governance of the BBC and the delivery of its services. In contrast to the BBC Governors and the BBC Trust, this new governance structure will see the BBC responsible for appointing at least half of the board members.*

A unitary board for the BBC with a Scottish member is *consistent* with our policy position however, more detailed discussion is required on the process for appointing this board member to ensure that there is a proportionate level of involvement for the Scottish Government in the appointment process, *including potentially running the process.*

We previously set out that a key part of our push for a decentralised approach is to bring the accountability structures for the BBC similarly into line with the new devolution positions of the UK and closer to audiences in the nations and regions. Consequently through this model **we continue to press for a unitary board structure for Scotland**, charged with holding BBC Scotland to account for the delivery of an agreed strategy, governing its output and investment of a budget agreed between the board and senior management of the BBC. This would build upon elements of this structure which already exist, by equipping expanded boards with a wider range of powers and greater degree of budget control in order to create semi-autonomous units within the overall structure of the BBC.

This Scottish board would also send members to a UK board, which would be responsible for the centrally provided services of the BBC, with appropriate skilled representation from all the nations and regions of the UK. The Scottish and UK boards would also be held to account by the Scottish parliament through the role set out in the Memorandum of Understanding and to be established in the Charter.

Each board would be composed of members of staff of the BBC in that region, independent members from the sector and representatives of the audience of the BBC. The board would send members to a UK board, with responsibility for setting the overall framework for the operation of the BBC corporately, such as on issues like pay and benefits, and UK network issues such as schedules.

In this structure the unitary board could have full responsibility for the running of the BBC within the region it represented, and control over more of the revenue raised by the BBC in that region than is presently the case. A percentage would support the valuable centrally provided services of the BBC, including some network content and the BBC world service etc. making up the balance of funds to that of the licence fee revenue raised. The contribution to the centre would be proportionate to the capacity in the industry and the benefits to that region and could change over time.

In Principle Economic Breakdown in Scotland and at UK Level

Income Streams	Expenditure Streams in Scotland	Expenditure Streams from Scotland on UK Services
License Fee	BBC Scotland Costs	Centrally procured services
Commercial Income	Local Commissioning	UK TV and Radio Content (produced in other areas of UK or in partnership)
Studio Income	Network Commissioning	
Rights Income		

Summary of BBC Scotland Income and Expenditure

In consultation with the BBC, and following the points raised by both the Public Audit Committee and in the report of the Education and Culture Committee, which requested Scottish specific information be presented by the BBC, there is a detailed breakdown of the current income and expenditure of the BBC with appropriate sources identified, in Annex A. This can be summarised as follows –

- Total Licence Fee income from Scotland in 2014/15 approx. £323 million.
- Total BBC spend attributed to Scotland for 2014/15 was £190.5 million – for both BBC Scotland spend for local content for Scottish audiences and for Scottish BBC Scotland spend for BBC network content.
- In 2014/15, attributable BBC Scotland spend in Scotland on network content was £83.2 million. (Commissioned by BBC1/BBC2 Network).
- Total spend on all ‘local’ Scottish output by BBC Scotland for TV, radio, online, etc. is reported by the BBC as £108.2 million in 2014/15:
 - BBC Scotland spent £73.9 million in 2014/15 on TV production in Scotland delivering ‘Scottish’ programming for the BBC Scotland opt-out slots; that is local content for BBC One, BBC Two and BBC ALBA.
 - Within the budget to deliver ‘local’ Scottish opt-out TV programming, BBC Scotland’s expenditure on original production for Scotland was £35 million in 2014/15. This is the ‘cash spend’, otherwise known as the ‘above the line expenditure’ on commissioning original TV productions for the local market from both in-house and independent production teams (i.e. for the writers, creative, talent, etc.).
 - The difference between the £35 million for ‘above the line’ commissioning of original TV content for Scotland and the overall local TV content budget for Scotland of £73.9 million is that the larger sum includes overheads for production (including studio costs, rights, outside broadcast, property, IT etc).
- BBC Scotland spent £34.3 million in 2014/15 on ‘local’ Scottish online, radio, and other content; that is, BBC Radio Scotland, BBC Radio Nan Gaidhael, BBC Online (including Red Button) and the Scottish Symphony Orchestra.

In the appearance of the BBC before the Education and Culture Committee in January 2016, it was outlined that, out of this breakdown for original ‘local’ TV content for Scottish audiences, £35 million of cash spend which is for ‘above-the-line’

commissioning (both for in-house and independent production) for writers, directors, artists and production team talent.

In 2014/15, BBC Scotland spend in Scotland on network TV content was £74.1 million. This is TV content commissioned by the BBC One and BBC Two networks which is defined as 'Scottish' and produced by BBC Scotland. Eligible 'Scottish' network spend is defined as first-run, UK-made Network-commissioned programmes, excluding News, content produced in Scotland which meets the Ofcom definition as what qualifies as 'Scottish'. It is important to note that this BBC Scotland network spending figures includes so called 'lift and shift', which means that some of this money is spent on productions either internally or by independent producers who have only a limited base in Scotland. The full implications of a more decentralised approach to this funding can be found in the next section.

Budgetary Control over Commissioning

The governance structure proposed in the UK Government's white paper provides a continued opportunity to make the case with both the BBC and with OFCOM (in the context of the service licence) to introduce further decentralisation.

A BBC Scotland board would also have oversight of the editorial and commissioning control, vested in the executive team, for the output across BBC Channels in the area it represented. As a consequence of this, BBC Scotland would have direct control over a level of funding which approximated to that of the revenue generated from the license fee in Scotland (c.£323m), less a proportionate contribution for centrally produced content and services, and which would fluctuate over time depending on what services were bought into Scotland. As outlined above, this is not dissimilar to the current position, except for the fact that budgets would be allocated to Scotland "up front" instead of qualifying spend being allocated to Scotland retrospectively, as is currently the case.

This decentralisation of existing budget, could represent a very significant economic boost to Scotland, as well as addressing current questions around the degree to which the BBC's output in Scotland represents the nation. Whilst in and of itself the decentralisation of the budget of the BBC in this manner may not require changes to the current Charter, it is recognised that changes to the governance of the BBC would provide an important context for this kind of change to budget structures.

Additional TV and Radio Channels or Platforms

A further product of the decentralisation of the structure, decision making and funding of the BBC is the opportunity to deliver benefits for audiences in Scotland through the provision, over the Charter period, of additional linear or digital channels across radio and TV for viewers and listeners in Scotland. Both an incentive for, and a product of, increased production in Scotland, would be the additional content, which would support additional TV and Radio channels, as well as providing more content produced in Scotland for UK TV and Radio networks. Lord Hall said to the Education and Culture Committee on 12 January 2016 that:

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

sustain production in the nations. I want to ensure that in the next charter period we are not only telling Scottish stories to Scotland, but that we are taking Scottish stories, dramas and comedy to the whole UK and beyond. We are looking at ways within that of ensuring that we can tap into new talent—writers, directors and so on.”

This has the potential to deliver significant potential benefits for viewers in addressing current issues around representation as well as declining viewing and listening figures for BBC services in Scotland which would be better able to provide a range of services across multiple channels, including news, sport, arts and culture.

Internal Market for Production

In this structure, programmes produced by each nation could be bought in an internal market by other nations and/or regions to supplement their schedule of programmes produced under their own commissioning budget, with the UK board setting the framework for this internal market which would operate on a cost of production basis.

The schedules for BBC One and Two, at a UK network level, would operate as they currently do, but with a greater degree of opt-out for each decentralised unit, with no costs incurred for programmes which are not shown in that area.

Production Quotas

The Scottish Government welcomes the recommendation in the UK Government White Paper which states: ***Ensure that the BBC serves all nations and regions in the UK through a clear focus on the BBC’s obligations in the new operating licence regime, clear board-level responsibilities, and a continued commitment to the out-of-London production targets.***

The Scottish Government understands that our efforts to secure a service licence, for Scotland will need to be taken forward with OFCOM as the new regulator for the BBC. Nonetheless, in the context of our wider policy ambitions, we continue to argue that a service license should be able to enable production quotas, established under the Network Supply Review (NSR), and due to expire in 2016, to be handled differently. A more strategic approach could be taken by BBC Scotland, with a greater degree of responsibility up-front to make decisions about what should be produced in Scotland at a local and network level across both TV and Radio. This would empower BBC Scotland, in partnership with its board, independent producers and Government arts agencies in Scotland, to take a strategic approach to investment in content over a sustained period, building a more sustainable sector in Scotland rather than one underpinned by an outmoded quota based approach.

Under the existing quota system, it is a retrospective allocation of the costs of a qualifying production, which make up the final total for the value of productions under one of the NSR quotas. Whilst this approach has helped to establish production for network in Scotland, and, where commissioners have worked closely with Scottish producers, both in house and external to the BBC, it has worked relatively well, it does *not* enable a more strategic approach to commissioning from the nations in the longer term interests of those nations. Furthermore, due to the retrospective nature of the allocation of productions to the quota, it is not possible for BBC Scotland to

make strategic decisions about how to use the budget, as it is never allocated “up-front” as a single budget.

Whilst this does not necessarily mean that a strategic approach is not taken to production in Scotland, it does mean that for UK network output, responsibility for production is largely in the hands of UK Commissioners, who are predominantly London based. The changes we propose would see more of the responsibility for the strategic decisions about what is commissioned from Scotland’s share of UK Network output, made in Scotland and integrated with the wider strategic plan for the BBC Scotland. This would be agreed annually between the executive team and Scottish and UK Boards. This approach would also provide the opportunity for greater collaboration between local and UK network content where both were produced in Scotland, for example local programmes for Scotland which examined specific aspects of an issue raised by a programme made for UK network, or spin-off drama set in a more local context but using a format from a UK series.

Under a more decentralised approach, with responsibility for commissioning from this budget in Scotland, it would be possible for a more empowered and strategic approach to be taken, without the need for additional investment. This approach could be most usefully underpinned by ensuring that the **Public Purposes**, as set out in the Charter, include a requirement on the BBC to invest in and grow the creative industries of all the nations and regions of the UK.

A Service Licence, that covers the delivery of BBC services in Scotland, and which allocated an annual budget, including for network commissioning and required BBC Scotland’s board to agree and implement a strategy for this budget, including the buying in of central BBC services, would provide a model of positive affirmation for the use of resources, in contrast to the more restrictive approach of the quota system, which could be removed over time. The BBC Scotland board would then be responsible for appropriate monitoring of the spend to ensure that the strategic aims of, for example, supporting and growing Scotland’s creative industries, were met.

Expected Impact of Policy

We expect that the implementation of this policy to deliver a range of social, economic and cultural outcomes, not just for Scotland, but for the wider UK.

Scotland has taken the lead in pushing for a transformation of broadcasting which would not only benefit it as a devolved nation, but benefit the other nations and regions of the UK. Alongside Ministers from Wales and Northern Ireland, the Cabinet Secretary for Culture, Europe and External Affairs outlined the benefits of this approach in August 2015 and then again in February 2016.

Economic outcomes:

A recent report by the Producers Alliance for Cinema and TV (PACT) finds that total investment in production in Scotland (both in-house and independent) has grown by over 9% per annum over the last six years (although it should be noted that it had previously fallen to less than 4% of the BBC’s overall spend on original content and that the current quota was adopted voluntarily by the BBC to address this) and that Scotland now has a base of scale for producers to compete nationally and internationally across multiple genres.

However, there remains a number of small Scottish producers who are highly dependent on BBC local commissioners and who have limited ability to invest in the business development necessary to grow. Analysis of successful producers from across the UK identified a number of factors that are key if small producers are to grow effectively. A sustainable model requires:

- Multiple genres;
- A diverse client base to reduce dependency on public service broadcasters;
- High margin secondary revenues; plus,
- Depth and breadth of commissioning relationships.

The impacts of the Scottish Government's proposals will be both immediate and long term. At the heart of the ambition that we set out here is our **commitment to high quality, well-resourced public service broadcasting which is underpinned by a sustainable production sector in Scotland which, in turn, is supported by a growing creative sector.**

An immediate impact of this policy, should BBC Scotland gain full control of the monies raised in Scotland from the licence fee, i.e. full control of commissioning, *could see*, up to **an additional £100 million of investment in Scotland's creative sector over the course of one year.** It is estimated that for each £100 million of production spend in Scotland, around 1,500 FTE jobs will be supported and up to **£60 million will be contributed to the Scottish economy.**

In the longer term, **over the period of a 10 year Charter, this would see up to £1 billion invested directly into Scotland's economy and up to £600 million of additional benefit**, alongside the "softer", positive benefits engendered through the wider distribution and availability of good quality Scottish produced content both nationally and internationally, the ability to work across multiple genres and to develop strong local commission relationships for the production of network content. This potential economic benefit could also be further enhanced by the sale, internationally, of Scottish produced programmes, including through the BBC Worldwide model.

Socio-cultural outcomes

The social, cultural and democratic role that the BBC plays cannot be understated. We expect a BBC Scotland that holds the UK Government, the Scottish Government and other institutions to account, whilst ensuring the delivery of services that connect, inform, entertain and educate.

The BBC reaches into our homes and our lives through a range of mediums. It has the power and the credibility to empower audiences, to widen access and participation in a number of ways, and, in so doing, tackle, head on, the key social challenges of our times, particularly social inequalities. The Scottish Government looks to influential and powerful institutions, such as the BBC, to lead the way on promoting equality and ensuring that talents, skills, and stories of all our communities are reflected, valued and enjoyed by all.

The social, cultural, economic and democratic outcomes that we aspire to are, of course, interconnected. We want to see a BBC that is pivotal to the social inclusion

and diversity agenda, which connects people and communities locally, nationally and globally, which empowers, which educates, which challenges and inspires.

Scotland is a country where our creative achievements are celebrated and enjoyed, along with those from other lands. The cultural benefits of our proposition relate to Scotland being better represented both to itself and to the rest of world and also Scotland better connecting, benefitting and enjoying the cultural offer from beyond its borders.

Scotland has a rich and diverse cultural offering which could widen and extend its reach not only across Scotland's communities, thus benefitting audiences, but also across the wider UK and beyond.

A BBC Scotland that is better connected and with a long-term strategic stake in the future health and vitality of Scotland's cultural offer could reap significant benefits. The Scottish Government is clear, it is our job to create the conditions which enable our creative sector to flourish and for as many people, groups and organisations as possible to benefit from and enjoy our culture and heritage because we recognise and value the impact that cultural engagement has on our quality of life. The media, particularly the BBC, is a key actor in this endeavour and, in Scotland, a key actor that could be empowered to do more.

We are aware that BBC Scotland is working with Creative Scotland on a memorandum of understanding between the bodies. We welcome this. A BBC Scotland that works more closely with Scotland's cultural sector and sees the benefits of a more strategic approach to nurturing, supporting and collaborating with Scotland's artists can only be of benefit. This is wider than our desire to see increased investment in Scotland's production sector and for more programmes to be made in Scotland, important and key as that is to our ask.

A stronger, better connected BBC Scotland could create significant opportunities to strategically and practically connect with Scotland's creative and cultural sector both for the benefit of the sector and for the benefit of audiences who could be enabled to experience and enjoy performances and artworks that they otherwise may not have been able to. Widening access and participation requires creative minds with a commitment to tackling social and cultural inequalities ... imagine what could be achieved for Scotland and Scotland's communities if the responsibility and the resources rested here?

Equality and Diversity

Whilst equality and diversity issues should be addressed by the BBC on an on-going basis, a firmer commitment to these issues in the context of a new Charter would be a beneficial policy outcome from this process. Now, and in the future, the BBC must be sensitive to the fundamental question – is it able to reflect and serve the audiences it serves in all their diversity? These audiences are the licence fee payers. These audiences are those people whose individuality is characterised by their ethnicity, their sexual orientation, their faith, whether or not they are disabled, where they live and their socio-cultural backgrounds and experiences.

In August 2015, as part of her Alternative MacTaggart lecture, the First Minister set out her concerns about the representation of women in the media. These concerns are rooted in an evidence base which confirms that women enjoy significantly less favourable treatment in our media than their male counterparts.

According to a recent Channel 4 survey of all main channels in the UK, men are twice as likely to appear on television as women and as many as five sexist incidents an hour are broadcast during prime time. Sexism, primarily at women's expense, was most commonly found in comedy, but the worst area for gender balance overall was sport with just 2% of presenters, pundits or guests being women. Films were the next worst performers with just 26% of on screen roles filled by women during that time

Actor Idris Elba recently addressed Westminster MPs on and argued – that despite Britain being “*the most successful, diverse, multicultural country on earth [...] you wouldn't know it if you turned on the TV. Too many of our creative decision-makers share the same background. They decide which stories get told, and those stories decide how Britain is viewed. Even to ourselves. Especially to ourselves.*”

This is not acceptable. The BBC has a pivotal role to play in delivering meaningful social and cultural outcomes for the communities that pay their license fees across the UK and we expect the BBC to do more.

People, in all their diversity, have a right to be seen and to be heard on the television and the radio, and to be seen and heard in a way that *doesn't diminish them*. Taking diversity seriously is about treating audiences with respect and understanding that our media can not only *reflect the changing times we live in*, but be *a key agent for change*.

The Scottish Government believes that the BBC needs to work harder and smarter to achieving 50-50 when it comes to gender equality on our screens and airwaves. Women, in all their diversity, need to be seen and heard in a way that accurately and meaningfully reflects their lives, their knowledge and their experiences.

As well as wider issues with how well the BBC's output reflects Scotland, we expect the BBC's service to meaningfully represent modern Scotland's communities in all their diversity. In order to support this work, the Scottish Government will include the following objectives within its race and diversity action plan –

“Work to improve ethnic diversity in the media and how ethnic minority communities are represented via proactive negotiations on the BBC Charter Renewal”

“We will support the BBC in delivering this action both through the process of BBC Charter and beyond.”

Section Two - Non Charter Related Changes

Alongside the policy positions outlined above, there are a range of issues which do not require changes through the Charter in order to be effected, but would still improve the services offered, and the social and economic impact of the BBC Scotland. A range of such issues have been raised by stakeholders through a period of intensive consultation from the summer of 2015 onwards and are reflected in these policy issues. The Scottish Government would welcome debate and discussion. The Scottish Government also believes that alongside the policy laid out so far in this document, some of these issues, if addressed through the Charter would be beneficial across the UK.

Regulation of Production Quotas

The production quotas, including those established under the Network Supply Review, which were voluntarily adopted by the BBC, have been criticised by a range of stakeholders, in particular for the so called 'lift and shift' approach which they have fostered. This means that, in some cases, as little as 5% of a compliant project's budget is spent in Scotland, whilst 100% of that budget is set against the quota. This can lead to a Scottish base being established for administrative purposes and which delivers an outcome which does *not* see the purported level of production spend delivering the full range of benefits – from skills development to additional economic impact – *in Scotland*.

Whilst through the renewal of the Charter we seek to reach a position where the need for quotas of this nature was removed, in the absence of a firm commitment to this model, the BBC should move away from 'lift and shift' to ensure that all of the economic and wider benefits of commissioning in Scotland can be realised, with a more robust definition of Scottish qualifying spend agreed and audited to ensure that the full economic benefit from this spend is realised in Scotland and supports a sustainable production base.

By the end of 2018 – the impact of robust regulation of the existing quota would be an estimated additional £30m of benefit to Scotland's economy, alongside the uplift in direct investment into the production sector.

Key Issue: to ensure, when the quotas established under Network Supply Review expire at the end of 2016, that they are replaced in such a way that both reflects the income of the BBC in Scotland (as set out above) and stimulates sustainable Network production from Scotland, as well as taking into account the potential decentralisation explored elsewhere in this paper.

News Current Affairs and Sport

In the period following the Referendum on Scottish Independence, there has been detailed scrutiny of the news and current affairs coverage in Scotland. A common thread through this discussion has been the assertion that the current coverage of both national and international news and current affairs by BBC Scotland is insufficient in both scope, scale and quality of output, with audience satisfaction figures at little more than 50%.

A more comprehensive approach to news with a greater voice for Scottish journalists on Scottish issues in the UK Network as well as on national and international stories for the Scottish network cannot now be resisted and is a change which does not require changes in the Charter. The recent appointment of a Head of News in Scotland is a welcome first step, however there would also need to be a more fundamental consideration by the BBC of how it ensures that national and network news is able to cover stories from within and outwith Scotland and make best use of our journalistic talent to better reflect the views of audiences.

Damian Collins MP, Acting Chair of the House of Commons Culture Media and Sport Committee said, at the launch of their report into the BBC White Paper on 2 August that:

"The six o'clock news in Scotland is currently split into two: the main news stories, whether international or relating to the UK (in whole or in part), are presented from London while Scottish news is presented from Glasgow. In the post devolution era, this can lead to network news programmes transmitted from London leading on several purely English stories - for instance on health, justice or education. The BBC has already acknowledged that there is dissatisfaction with this situation. However, we believe that it is perfectly reasonable for editorial decisions on the running order for television news broadcasts in Scotland to be made in Scotland, and broadcast from Scotland, as they are already for radio."

This would ensure that there was a high quality dedicated news service for Scotland, able to better reflect Scotland unto itself and to cover international stories from a Scottish perspective more effectively than is possible in the current news structure. However, this alone would not be sufficient to address the wider issues with audience satisfaction and changes to ensure that the Scottish perspective is appropriately reflected to the UK network should also be considered.

<p>Key Issue: to ensure that communities across Scotland have access to a more comprehensive news and current affairs service for TV and Radio and that Scottish journalists are able to contribute to network and international news on Scottish specific and other national and international issues.</p>
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We also recognise that the online services provided by the BBC are well used and provide an authoritative source of information for communities across Scotland. However, their continued development needs to be carefully managed to ensure they remain relevant to audiences, for instance responding to the growing hyper-local agenda, but also work alongside commercial services to stimulate high quality content and positive competition rather than supressing a market for local news.

Key Issue: The BBC's online services are an important source of news and information, BBC Scotland will need to consider whether any improvements to this service are required for users across Scotland.

The provision of sport, and investment through the procurement of broadcasting rights into sports throughout Scotland and at a UK and international level should also be continued by the BBC. In a period of financial challenge the BBC should be able to continue to provide key sporting events on free-to-air television, but work in partnership with sporting bodies to ensure that the procurement of rights to broadcast represent value for money and provide financial support for grassroots and professional sport in Scotland. It is also important that diversity with reference to disabled people and women's sport is represented and visible both online and on broadcast media. This plays an important role in not only developing our national sporting ambitions, but in reflecting the nation and in empowering our communities.

Key issue - Listed Events: The Scottish Government recognises the important role that listed events play in the social and cultural life of communities across Scotland. It is in the public interest that key sporting events continue to be free-to-air and that disabled people and women's sports are fairly represented across the schedule.

Commercial Operations

The current structure of BBC Worldwide operates effectively to provide a route to a global market for the products of the BBC, and independent producers working in partnership with the BBC. However, the revenues from Scottish produced content are relatively low. Further work should be done to ensure that the expanded production base in Scotland is able to find an appropriate route to market through the operations of BBC Worldwide.

*We ask that the BBC and UK Government commit to **not** privatising BBC Worldwide but instead look to work in partnership with stakeholders and independent producers in order for it to better support the global development of Scottish independent producers and afford them better routes to market.*

BBC Worldwide plays an important role in supporting activity and providing an income stream for the corporation - **such an integral part of the public service broadcasting model should not be privatised**. In a decentralised model, we believe the BBC worldwide element would continue to work and would help to improve the sustainability of the wider and independent sector in Scotland.

We accept that a **critical part of the financial sustainability of the BBC is the ability to participate effectively in the secondary broadcast market**, including through the sales of formats and programmes internationally. This element of the BBC also has a **key role in encouraging independent production and supporting the internationalisation of Scottish independent producers** by providing them, in partnership with the BBC, with a route to market.

Key Issue: We expect BBC Scotland and independent productions to be able to navigate effective routes to market through BBC Worldwide, and for the support that BBC Worldwide offers to the development of in-house productions in the BBC to be extended to independent producers.

Indigenous Language Production

BBC ALBA's reach amongst the Scottish population fell over the last 18 months from 18% to 16%, but **continued to reach an average of over 700,000 viewers a week**. However, among Gaelic speakers, reach increased slightly from 72% to 73% and audience approval remained high. The BBC Scotland Audience Council report noted that 'the channel remains highly dependent on repeats and there was a small dip in the channel's audience for the first time since its inception in 2008.'

There is a clear need to make indigenous language broadcasting sustainable and for its important education and societal values to be more widely acknowledged in this process. The channel also provides significant economic benefit through its commissioning model which ensures growth in the creative industries in Scotland. In particular there is the opportunity to build on the MG ALBA model and secure an equitable funding position with that in Wales, where S4C receives additional funding from UK Government.

We ask that the BBC provide the same levels of in-house programming to BBC ALBA as they do to S4C. Currently the BBC supplies 520 hours to S4C with a value of £20m (compared to 230 to BBC ALBA, valued at £5m). We also ask that current anomalies, e.g. MG ALBA paying the BBC to produce programming, cease.

This commitment would contribute to both promoting the Gaelic language and to supporting Scotland's wider creative sector.

Channel 4

Channel 4 should be recognised as an important part of the Public Service Broadcasting system, and the commitment to a high quality PSB system, set out at the start of this paper includes Channel 4, which should be retained in public ownership. However, we believe that Channel 4 must commit to a more transparent approach to delivering its production quota in Scotland ensuring that 'lift and shift' does not become the primary tactic for meeting this quota.. Similar to the position set out for the BBC elsewhere in this paper, Channel 4 should work in partnership with independent producers in Scotland to build a sustainable production sector, allowing for a substantial increase in programming made in Scotland. Their new licence requirement should be "a floor, not a ceiling". The establishment of a **new 'Nations and Regions team'** is welcome, and we would encourage them to work closely with the commissioning department to help deliver the new licence commitment to **commission at least 9% of original spend by 2020 from the Nations.**

The Scottish Government is strongly committed to the principle of public service broadcasting and **opposes any proposals to privatise the channel.**

Channel 4 occupies a unique position in the delivery of public service broadcasting in Scotland, championing new formats and commissioning experimental programmes.

We encourage Channel 4 to make better use of the talent and skills in the Scottish production sector, but do not believe that privatisation would represent an improvement to the service Channel 4 provides.

Section Three – Further Policy Issues

This section of the paper covers those issues within the scope of the BBC Charter process which had, at the time of the publication of the earlier version of this policy paper, were still under consideration. In the case of the regulation of the BBC this was because the Clementi review had not yet reported, and in relation to BBC studios, we needed further details to be made available by the BBC before a position could be reached.

Regulation of the BBC

The UK Government's white paper, *A BBC for the Future*, set out a recommendation to: **Appoint Ofcom as the external independent regulator of the BBC**, as recommended by the independent review by Sir David Clementi. *Ofcom is the widely respected and experienced media and telecommunications regulator.*

There have been some concerns raised, through our discussions with stakeholders, about the ability of Ofcom to form an effective regulator for the BBC. This is particularly important, given their current role in the regulation of qualifying spend for the NSR quotas, which could be seen as amounting to a degree of self-regulation by the BBC, who are responsible for investigating any complaints raised and reporting to Ofcom.

The Scottish Government is of the view that Ofcom needs to be *adequately resourced, and not from the licence fee*, to carry out this function, and this work would need to have sufficient prominence at an operational level given the wide-ranging nature of its current responsibilities.

The external regulation of the BBC by Ofcom is consistent with our policy position, and the commitment to a Service Licence for Scotland from the UK Government delivers on this aspect also. However, the Scottish Government is clear that detailed negotiation will be required with both the BBC and Ofcom to ensure that our policy for the devolution of editorial and commissioning power and budgets is fully reflected.

BBC Studios

We have argued that the BBC Studios model should also be carefully considered to ensure that the full impact on the independent sector in Scotland is understood and effective governance is in place.

The UK Government's white paper sets out its intention to: **Open the BBC's content commissioning to greater competition, by removing the in-house guarantee for all television content except news and news-related current affairs.** *This will provide hundreds of millions of pounds of new opportunities for the independent sector, help drive efficiency savings and provide new creative opportunities for the BBC. The government also provides in-principle support for BBC plans to spin-off its in-house production into a new subsidiary, BBC Studios, opening up new opportunities to produce programmes for the BBC and other broadcasters in the UK and internationally.*

The Scottish Government expects that the moves to the BBC Studios model will be managed carefully and that its development is taken forward in such a way that it makes a positive contribution to the growth and sustainability of Scotland's creative industries and indeed the creative industries of the other nations and regions of the UK. Key to our concerns is that the ability of smaller independent producers to compete for commissions from the BBC in Scotland or at a UK level, or from other broadcasters, is not diminished.

The future of BBC and whether it can remain successful in the longer term is critically dependent, not only on how it engages with the nations and regions but also its role as a key cultural and social influencer in the context of diversity and an ambition to live in a nation that enjoys more equitable outcomes for communities and individuals. We have already touched upon this matter when we set out our expectations regarding social and cultural outcomes but these outcomes could, of course, be delivered outwith the Charter process.

How to Provide Your Views

The Scottish Government would welcome your views on the issues raised in this paper, and will be continuing to engage widely as the process of BBC Charter progresses. Contact details for the policy team are provided below and you are welcome to get in touch direct.

Contact Details

Laura Turney - Head of Policy | E: Laura.Turney@gov.scot

Grant Campbell – Policy Officer | E: Grant.Campbell@gov.scot

Team Contact - |E: Broadcasting@gov.scot

PART 1: SUMMARY OF REVENUE IN SCOTLAND

Licence Fee

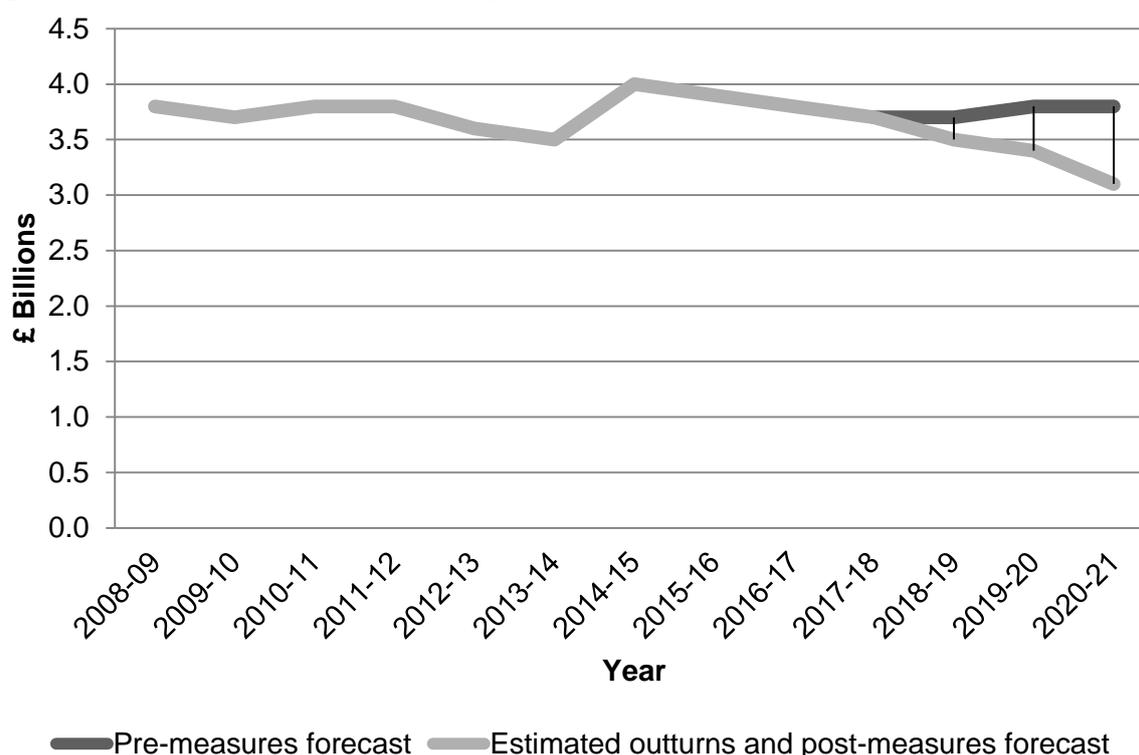
- Total Licence Fee income from Scotland in 2014/15 is approximately £323 million.¹

TV Licences for over-75s

Impact of new arrangements for the over-75s

- The UK Government announced on the 6 July 2015 that the BBC is to cover the cost of providing free television licences for over-75s. This will be phased in from 2018-19, with the BBC taking on the full costs from 2020-21. It is understood that this settlement is still open for further negotiation during BBC Charter renewal process.
- According to the Office of Budget Responsibility (OBR)², over the period 2015-16 to 2010-21 there will be a 19.9% reduction in the BBC budget in real terms – from £3.9 billion in 2015-16 to £3.1 billion in 2020-21³ – compared to a 0.8 per cent real fall in assumed total public services spending over the same period. This is largely driven by the withdrawal of funding for free TV Licences for the over-75s. (See **Figure 1**)

Figure 1 Real BBC Current Expenditure, £ Billions, 2015-16 Prices



Source: Office for Budget Responsibility's [Economic and fiscal outlook](#) published on 8 July 2015.

¹ See correspondence received by the Education & Culture Committee from the BBC, 24 December 2015. Available at: http://www.scottish.parliament.uk/S4_EducationandCultureCommittee/BBC%20charter/BBCResponse.pdf.

² See Office for Budget Responsibility's latest [Economic and fiscal outlook](#) published on 8 July 2015.

³ In cash terms this is a reduction from £3.9 billion to around £3.5 billion over the same period.

- At the end of March 2014 approximately 4.33 million free over-75 TV Licences had been issued at a cost of approximately £607.8 million to the Department for Work and Pensions (DWP).
- When the UK Government begins to withdraw compensating funding for the over 75s, the OBR assumes that the BBC will reduce its spending by almost the same amount, *albeit with some small and diminishing offsetting contribution from its reserves.*

Policy responses

- As part of these new arrangements, the UK Government will also look to the BBC modernising the TV Licence fee (to eventually cover public service broadcast via catch-up TV) and anticipates that the TV Licence fee will increase in line with consumer price index (CPI) over the next BBC Charter period.
- In the BBC report [BRITISH BOLD CREATIVE](#), the BBC reveal that they anticipate that they will have to save £700 million a year by 2022 to offset the cost of free licence fees for the over-75s plus covering a £150 million funding gap from the so-called 'iPlayer loophole'. This represents the close to 20% expected BBC spend in 2016/17 (an average annual savings of around 3.5 per cent a year over the next five years).⁴
- It has been reported in the media that the over-75s could be asked to make a voluntary contribution towards their TV licence under an initiative by the BBC.⁵ Independent experts are expected to advise on how the BBC can go about attracting voluntary contributions from people over the age of 75.

Impact of demographic change

- Scotland's UK share of over-75s is largely stable looking forward. However, the TV Licence tax base (both in terms of population and households) is likely to broaden at a slower pace in Scotland, than compared to the rest of the UK.

BBC Scotland Studios

- At the BBC Scotland's headquarters in Glasgow, the BBC offer a full range of HD studio and post production facilities and production support areas tailored to client programme requirements. The BBC Scotland Studios and post production teams offer their wealth of experience working across a full range of network and local productions.⁶
- BBC Scotland work with BBC clients as well as many independent production companies, and offer a flexible, client-focused approach to help deliver client programme needs.

BBC Worldwide Sales and Shareholder Returns to the BBC

- BBC Worldwide Limited is the main commercial arm and a wholly owned subsidiary of the BBC. BBC Worldwide exists to support the BBC public service mission and to maximise profits on its behalf. It does this through investing in, commercialising and showcasing content from the BBC around the world, in a way that is consistent with BBC standards and values.⁷
 - In 2014/15, BBC Worldwide invested £94.4 million in BBC commissions (up from £88.9 million in 2013/14) from both BBC Production and from UK independents.

⁴ The savings also finance a package of new proposals estimated to cost £150 million outline in the BBC Trust report [BRITISH BOLD CREATIVE](#).

⁵ [BBC may ask over-75s to give up free TV licence](#), BBC News website, 25 January 2016

⁶ See BBC Scotland Studios is available at: <http://www.bbc.co.uk/corporate2/scotland/productionfacilities>.

⁷ More information on BBC Worldwide is available at: <http://bbcworldwide.com/about-us.aspx>.

- In 2014/15, BBC Worldwide generated headline profits of £138.6 million and headline sales of over £1 billion and returned £226.5 million to the BBC (up from £173.8 million in 2013/14), with shareholder returns up by almost one-third. This is equivalent to 12.6 per cent of total BBC Television content spend, up from 10.1 per cent in 2013/14.

PART TWO – CURRENT EXPENDITURE BY BBC IN SCOTLAND

BBC Scotland Spend in Scotland

- BBC Scotland provided the Education & Culture Committee, in their submitted evidence, spending figures for BBC Scotland in Scotland for the financial year 2014-15.
- According to the evidence presented, expenditure by BBC Scotland in Scotland was £190.5 million in 2014.15. This spend is comprised of two broad categories:
 - *Network Content* – where editorial control and budgets lie with the BBC; and,
 - *Local Content* – where editorial and budget control lie with BBC Scotland.
- **Table 1** below provides a summary of the financial information provided by BBC in their [response](#) to a [request for additional information by the Education & Culture Committee](#).

Table 1 BBC Scotland Expenditure in Scotland for 2014-15

BBC Commission	Network Content	£'m*	Notes (Provided by BBC Scotland)
	Television	74.1	All OFCOM compliant.
	Radio	4.9	Drama for R4. Orchestra for R3
	Online	3.3	Knowledge & Learning, Arts Online
	Network Total	82.3	
BBC Scotland Commission	Local Content by Service		
	BBC One	49.4	River City, News/Current Affairs, Events, Comedy & Sport
	BBC Two	18.5	Include Factual Documentaries, Scotland 2015 and Sport
	BBC ALBA	6.0	Include An-La, Eorpa & Childrens
	Radio Scotland	21.7	Multi Genre
	Radio Nan Gaidhael	3.7	Multi Genre
	Online & Red Button	4.6	Multi Genre, Knowledge & Learning (Bitesize etc.)
	Scottish Symphony Orchestra	4.3	Costs of SSO excluding R3 income
	Local Content Total	108.2	
Total	190.5		

* Expenditure figures reflects the full cost of providing content services across the identified platforms.

- Expenditure figures present in the **Table 1** presents the BBC Scotland spend in Scotland and reflects the full cost of providing content services across the identified platforms.
- BBC Scotland report that any allocations of central support & distribution costs are additional to these figures. Such costs would include distribution, central policy & strategy, finance & operations and costs of facilitating external sales of studios and facilities.

- When these allocations of central support and distribution costs are added to BBC Scotland spend in Scotland the total BBC spend support the BBC's activities in Scotland sums to over £200 million.⁸

Local Content by Service

Local TV Production

- The BBC reports that BBC Scotland spend £108.2 million on local content. This is the BBC spend on all 'local' Scottish output by BBC Scotland on TV, radio, online, etc.
- Within this, BBC Scotland spent £73.9 million in 2014/15 on TV production in Scotland delivering 'Scottish' programming for the BBC Scotland opt-out slots; that is local content for BBC One, BBC Two and BBC ALBA.
 - Within the budget to deliver 'local' Scottish opt-out programming, BBC Scotland's expenditure on original production for Scotland was £35 million in 2014/15. This is the 'cash spend', otherwise known as the 'above the line expenditure' on commissioning original TV productions for the local market from both in-house and independent production teams (i.e. for the writers, creative, talent, etc.).
 - In Committee evidence on 12th January, this information was confirmed by Anne Bulford, Managing Director, Finance and Operations, BBC Scotland (BBC):
 - *"£35 million of cash spend – that number has been spoken about quite a lot – which is for above-the-line commissioning for writers, directors, artists and production team talent."*
 - The difference between the £35 million for 'above the line' commissioning of original TV content for Scotland and the overall local TV content budget for Scotland of £73.9 million is that the larger sum includes overheads for production (including studio costs, rights, outside broadcast, property, IT etc). This information has been confirmed by Anne Bulford in committee evidence on 12th January:
 - *"The other half of that money [£38.9m = £73.9m – £35m] is the costs of production studios, post production, outside broadcast rights, executive producers, property and IT; all of that spend is integral to the production budget."*

Local Radio and Other Local Content

- BBC Scotland spent £25.4 million in 2014/15 on BBC Radio Scotland, BBC Radio Nan Gaidhael.
- BBC Scotland spent £8.9 million in 2014/15 on BBC Online (including Red Button) and the Scottish Symphony Orchestra.

Network Content

- In 2014/15, BBC Scotland spend in Scotland on network content was £83.2 million. The bulk of this which was for BBC network TV production.
 - In 2014/15, BBC Scotland spend in Scotland on network TV content was £74.1 million. This is TV content commissioned by the BBC One and BBC Two networks which is defined as 'Scottish' and produced by BBC Scotland.
 - In 2014/15, BBC Scotland spend in Scotland on network radio and online content was £4.9 million and £3.3 million respectively.

⁸ Full detail of the available information on the BBC spend in Scotland is available in the [BBC's response](#) (dated 24 December 2015) to the [request for additional information by the Education & Culture Committee](#) (dated 10 December 2015).

'Scottish' Network TV Production

- Expenditure on network television spend in Scotland is calculated by summing the value of network content produced in Scotland according to the definition set by the independent regulator and competition authority for the UK communications industries (Ofcom).
- Eligible 'Scottish' network spend is defined as first-run, UK-made Network-commissioned programmes, excluding News, content produced in Scotland which meets the Ofcom definition of what qualifies as 'Scottish'. Ofcom notes that, in order to qualify as a Regional Production, two out of the three of the following criteria must be met:
 - i) The production company must have a substantive business and production based in Scotland. A base will be taken to be substantive if it is the usual place of employment of executives managing the regional business, of senior personnel involved in the production in question, and of senior personnel involved in seeking programme commissions;
 - ii) At least 70% of the production budget (excluding the cost of on-screen talent, archive material, sports rights, competition prize-money and copyright costs) must be spent in Scotland; and,
 - iii) At least 50% of the production talent (i.e. not on-screen talent) by cost must have their usual place of employment in Scotland. Freelancers without a usual place of employment in Scotland will nonetheless count for this purpose if they live in Scotland.

So-called 'Lift and Shift'

- It is important to note that the BBC spending figures in Scotland include so called 'lift and shift' which can sometimes mean staff are brought in just to use studio space at Pacific Quay and then return back to London.
- Scotland needs investment in production that maximises the economic impacts to the Scottish economy rather than BBC Scotland simply being the 'name on the cheque' for administrative reasons.
- The economic impact of BBC output produced in Scotland would be far greater if the production processes were truly embedded with local suppliers. With 'lift and shift', there can be little or no embedding within the creative industries in Scotland and the wider Scottish economy.
- Although 'lift and shift' does generate economic activity in Scotland, changes to the existing system, such as simply realigning all of the network spend the BBC currently spend on network production in Scotland to BBC Scotland commissioning content from indigenous producers, could ensure that this expenditure generates as much as £30 million further spending across the wider economy in Scotland.

Expenditure in Scotland by In-house & Independent (Indie) Production Houses

- **Table 2** below provides a summary of the breakdown between in-house and independent production provided by BBC in their [response](#) to a [request for additional information by the Education & Culture Committee](#).
- In terms of volume, around 35% of BBC Scotland's qualifying output in TV content (originated hours excluding News) is provided by the Independent sector.

Table 2 BBC Scotland Expenditure in Scotland, 2014-15, In-house & Indie

BBC Commission	Network Content	Total (£'m)*	In-house (£'m)	Indie (£'m)
	Television	74.1	14.5	59.6
	Radio	4.9	4.6	0.3
	Online & Red Button	3.3	3.3	0.0
	Network Total	82.3	22.4	59.9
BBC Scotland Commission	Local Content by Service			
	BBC One	49.4	42.8	6.6
	BBC Two	18.5	14.6	3.9
	BBC ALBA	6.0	6.0	0.0
	Radio Scotland	21.7	21.2	0.5
	Radio Nan Gaidhael	3.7	3.6	0.1
	Online & Red Button	4.6	4.4	0.2
	Scottish Symphony Orchestra	4.3	4.3	0.0
Local Content Total	108.2	96.9	11.3	
Total	190.5	119.3	71.2	

* Expenditure figures reflects the full cost of providing content services across the identified platforms.

- Note that expenditure on BBC ALBA (above) reflects BBC Scotland funding only.

BBC Scotland Annual Accounts and Statement

- Financial information relating to Scotland is contained with the BBC's Annual Report but only BBC as a consolidated Group produces annual accounts.
- The BBC's accounts are subject to an annual external audit (currently performed by Ernst & Young).
- Consideration by the BBC is currently being given as to how statistical information pertaining to each of the nations, including Scotland, may best be incorporated and presented within the BBC Annual Report and Accounts in the future.



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