

Constitution, Europe, External Affairs and Culture Committee BBC Annual Report and Accounts 9 September 2021

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 [BBC's most recent annual report and accounts](#) cover the year 2020/21 and were published in July 2021. This paper covers: the activity and performance of the BBC in that year; the strategic outlook of the BBC; and wider policy debates.

ACTIVITY AND PERFORMANCE OF THE BBC IN 2020/21

Overall income and expenditure

The accounts for the BBC as a whole show that the total income for the group in 2020/21 was around £5bn. Of this £3.75bn was licence fee income and £1.3bn from other income, such as income from its commercial activities, primarily BBC Studios. Operating costs were around £4.8bn and there was a surplus of around £227m.

Licence fee income grew £230m (7%) between 2019/20 and 2020/21. From August 2020, the BBC began to collect the licence fee from eligible over-75s. Other income fell by £109m compared to the previous year; this was due to "an impacted production pipeline, lower advertising revenues and operational challenges due to the pandemic". (p45)

The BBC has undertaken a programme of cost-saving in the period of the current charter. The annual report stated—

"In 2020/21 [the BBC] delivered £272 million of in-year savings, contributing to £890 million of cumulative savings delivered since 2016/17. In 2021/22, we are projecting our recurring savings total to rise above £950 million – exceeding our original target of £800 million." (p45)

Sustainable savings were also being made prior to 2016/17. As a response to the 2010 licence fee settlement, the BBC made over £700m of recurring savings to its budget up to the end of 2017. The 2010 settlement also gave the BBC new financial responsibilities, including funding the BBC World Service and contributing to the cost of rolling out rural broadband and local television.

The level of the fee is set by Secretary of State for Digital, Culture, Media and Sport after consultation with the BBC. A key element of the current licence fee settlement, announced in July 2015, was that the BBC would take over responsibility for funding any free licences for the over-75s. Section 89(7) of the Digital Economy Act 2017, transferred responsibility for determining whether there should be an age-related concession to the BBC. Section 89(7) came into force on 1 June 2020. From August 2020 any household with someone aged over 75 who receives Pension Credit will be entitled to a free TV licence paid for by the BBC.

The value of the licence fee in Scotland rose by 5.1% to £309m in 2020/21. 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 3 years.

Expenditure by service in Scotland

	(£m)				
	16/17	17/18	18/19	19/20	20/21
Network Spend					
TV (inc. Sport and Childrens)	84.2	79.9	80	71	42
Radio	3.5	3.2	3	3	3
Online	5.5	2.5	2	3	5
Total network spend	93.2	85.6	85	77	50
Local spend					
TV – BBC One	43.0	42.0	40	35	28
TV – BBC Two	17.0	12.0	11	-	-
TV – BBC ALBA	6.0	7.9	9	8	9
BBC Scotland	-	-	12	44	34
Radio Scotland	21.1	22.6	25	24	23
Radio nan Gàidhael	3.7	4.0	4	4	4
Online (and red button)	6.6	8.0	11	10	10
Total local spend	97.4	96.5	112	125	108
National Orchestra	4.8	4.8	5	5	5
Development	1.6	2.2	6	7	8
Distribution	36.0	33.5	41	37	37
Total	233.0	222.6	249	251	208

Source: BBC Annual Report and Accounts 2019/20 and 2017/18. Difference in presentation of data (ie 1dp/0dp).

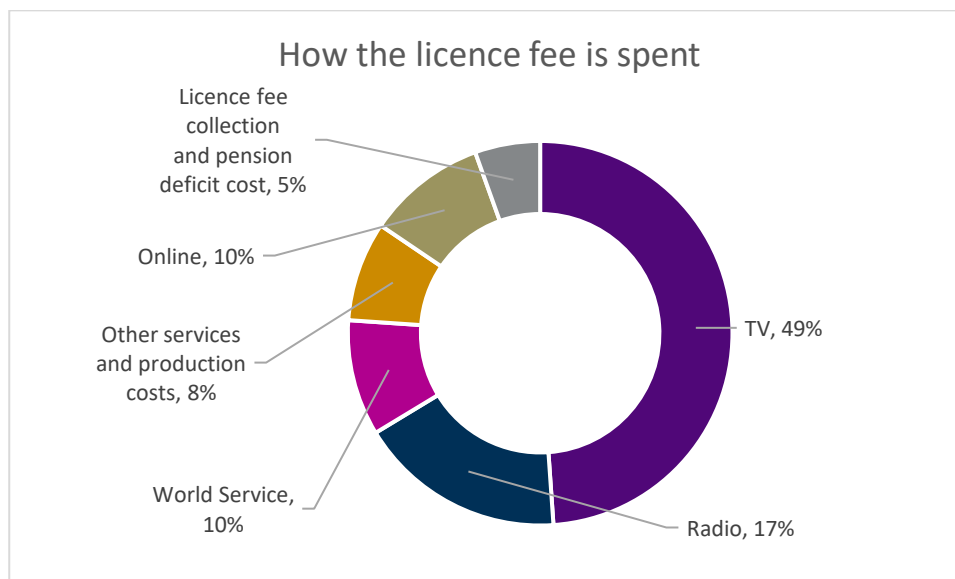
The table above is in three sections: the network spend which is the money on UK-wide content or shows; the local spend on shows which are specific to Scotland; and others, including the BBC Scottish Symphony Orchestra.

Overall the spend in Scotland reduced by £43m. This was largely due to a reduction in the TV network spend and the spend on BBC Scotland. There was an overall reduction of spend on first-run programmes for viewers in Scotland across the PSBs, Ofcom reported

that there was a 29% decrease and that spend, by all PSBs, on non-news/non-current affairs for Scottish viewers fell by £21m to £26.8m.¹

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 2020/21 the figure for spend on Network TV programmes produced in Scotland was 6.5%. This was put down to “unprecedented and rapid reduction in programme spend” due to the pandemic. The BBC also missed the spend target for Northern Ireland and England (out of London). It met its target for Wales. In terms of the output, measured in hours, the BBC exceeded all of its Nations targets. The BBC has committed to exceeding the network spend targets in future years.(p30)

The BBC present a breakdown at a UK level of how a licence fee is spent.



The previous committee explored the extent to which the licence fee monies collected in Scotland are spent in Scotland. The three tables below show, licence fee income and spend (including distribution etc) for the four nations and GB and Northern Ireland as a whole. The third table show the level of spend as a percentage of fee income. The totals for licence fee income do not match the figure quoted above – the licence fee is also required in the Channel Islands and the Isle of Man. The total for Wales includes the grant to S4C.

(£m)					
Licence fee income by nation	2016/17	2017/18	2018/19	2019/20	2020/21
England	3,164	3,201	3,085	2,946	3,142
Scotland	322	324	311	294	309
Wales	189	191	184	175	187
Northern Ireland	100	101	97	93	99
Total GB & NI	3,775	3,817	3,677	3,508	3,737

(£m)					
Spend (Total)	2016/17	2017/18	2018/19	2019/20	2020/21
England	2,095	1,954	2,136	2,028	1,857
Scotland	233	223	249	251	208

¹ https://www.ofcom.org.uk/data/assets/pdf_file/0025/222892/scotland-report-2021.pdf (p24)

Wales	186	176	179	207	168
Northern Ireland	97	89	94	105	83
Total GB & NI	2,611	2,442	2,658	2,591	2,316

* Network content is attributed on an Ofcom basis, which excludes foreign productions.

Spend as % of Fee income	2016/17	2017/18	2018/19	2019/20	2020/21
England	66%	61%	69%	69%	59%
Scotland	72%	69%	80%	85%	67%
Wales	98%	92%	97%	118%	90%
Northern Ireland	97%	88%	97%	113%	84%
Total GB & NI	69%	64%	72%	74%	62%

The tables above show that in each of the five years over a quarter of the fee income was not identified as spend in any of the four nations. Identifiably nation-specific spending decreased in 2020-21 while licence fee income increased. This has led to falls in the percentage of licence fee revenue identified as having been spent within those nations.

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 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. Specifically, there is a financial and administrative operation that works from Chennai.” (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.

The gap between the income generated by licence fees and identified territorial spend was £1.4bn in 2020/21 – up from £917m in 2019/20. This gap, along with the complications

relating to identifying spend on a national basis present difficulties in scrutinising the BBC's overall level of spend in Scotland. For example, it is not clear how much of that gap is extra-territorial.

Another measure to understand the BBC's footprint in Scotland through the level of employment. The Annual Report provides data on both the headcount in Scotland and the headcount of staff supporting Scottish services averaged across the year. In 2020/21 the figures were 1,306 and 1,009 respectively. The BBC also provides data on the overall group employment.(p53) 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 23,294 and therefore the percentage of the workforce in Scotland was 5.6% and those supporting Scottish services produced in Scotland was 4.3% of the group total.²

Scotland specific output

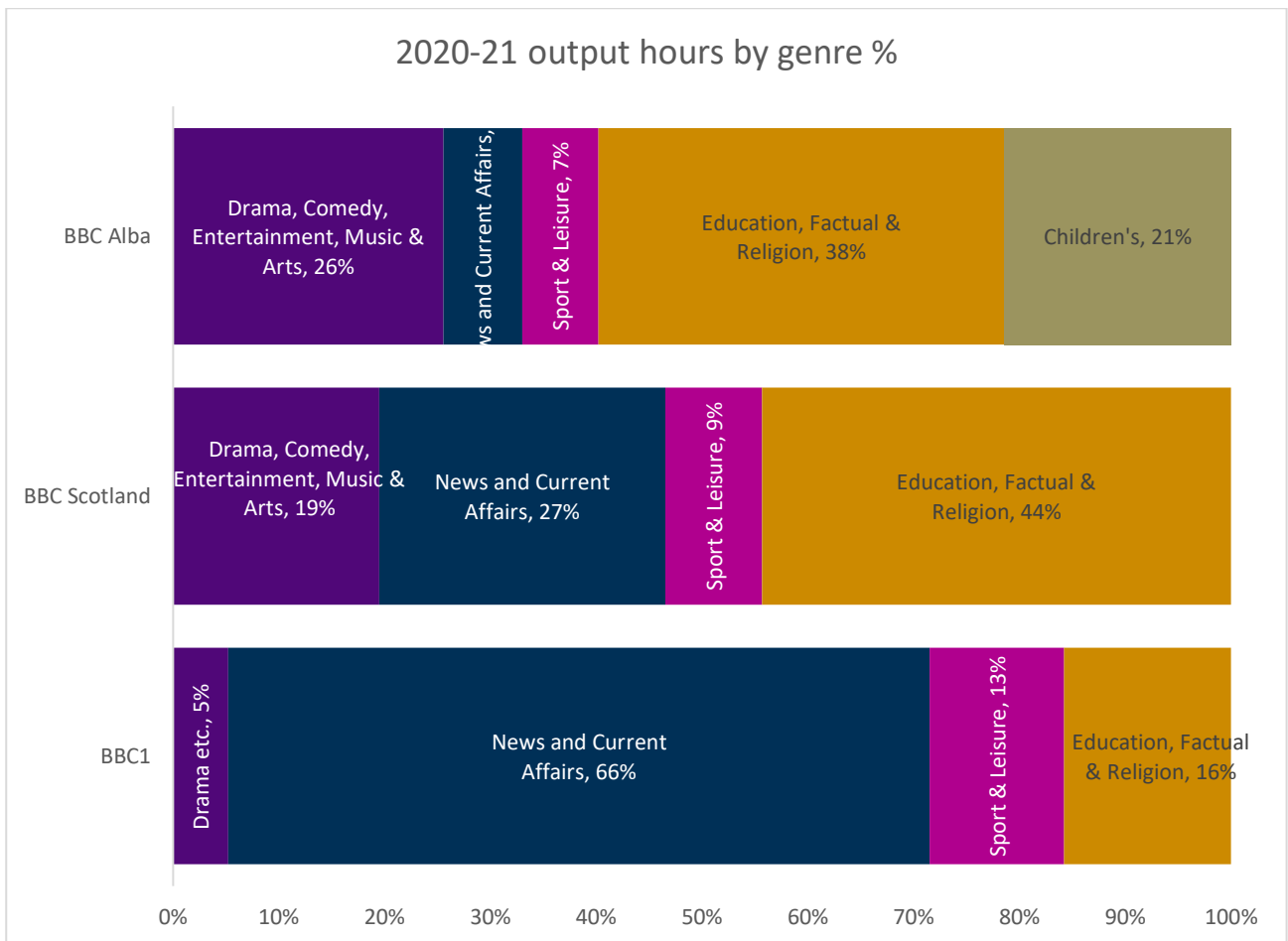
BBC hours of first-run content in Scotland grew by 3% in 2020 to 2,071 hours. News content makes up the largest amount of the BBC's output for Scotland, comprising 52% of first-run hours.

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.

The BBC reports on the genres of Scottish specific broadcasts. The Chart below shows output by genre for the BBC1 opt out hours, BBC Scotland and BBC Alba.

² 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.



News and current affairs accounted for two thirds of the opt out hours on BBC1. Across both BBC1 and BBC Scotland the output of News and Current Affairs was higher than in 2019-20. There was also growth in Scottish Education, Factual and Religion programming across all three channels.

Audience

The paper thus far has focused on the inputs and outputs of the BBC. The BBC also reports on audience, reach and the impressions of the BBC.

Across the UK, the BBC that—

- On average 90% of UK adults and 80% of young adults used a BBC service per week. This is up from 81% in the previous year.

And in relation to news—

- 8/10 UK adults use BBC News services each week
- 68% of UK adults think the BBC is effective at providing news and current affairs that is trustworthy (ineffective 21%)
- 69% of UK adults think the BBC is effective at providing news and current affairs that is accurate (ineffective 18%)

- 56% of UK adults think the BBC is effective at providing news and current affairs that is impartial (ineffective 29%)

And in terms of creative output—

- 77% of UK adults think the BBC is effective at providing content/services that set a high standard for quality (ineffective 11%)
- 70% % of UK adults who think the BBC is effective at providing content/services that are distinctive (ineffective 13%)
- 71% % of UK adults who think the BBC is effective at providing content/ services that set a high standard for creativity (ineffective 14%)
- 77% of secondary school pupils used Bitesize in 2020/21.

In terms of representation—

- 57% of UK adults think the BBC is effective at reflecting people like them (ineffective 24%)
- 62% of UK adults think the BBC is effective at catering for the part of the UK they live in (ineffective 20%)
- 68% of UK adults think the BBC has programmes, content and services that raise awareness of the different ways of life and perspectives in UK society (ineffective 18%).

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

2020/21 (change on 2019/20 (%age pts))	England	Scotland	Wales	Northern Ireland
BBC is effective at informing, educating and entertaining people in the UK/them	78% (+7%)	76% (+12%)	79% (+13%)	80% (+18%)
BBC is effective at providing content/services that set a high standard for quality	78% (+9%)	73% (+12%)	77% (+3%)	74% (+14%)
BBC is effective at reflecting people like them	58% (+1%)	55% (+4%)	62% (+6%)	50% (-2%)
Pan-BBC reach	90% (-1%)	88% (-2%)	92% (-3%)	88% (-4%)
BBC Television reach	76% (-1%)	77% (-1%)	76% (-2%)	76% (-2%)
BBC TV News reach	41% (+3%)	48% (+4)	45% (+7%)	53% (+5%)

BBC Online reach	62% (+9%)	66% (+8%)	68% (+8%)	56% (+11%)
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The figures in the white rows are based on surveys carried out by a market research company. Owing to the suspension of face-to-face fieldwork during 2020/21 because of Covid-19 restrictions, this year's survey was conducted via telephone/mobile. Previous years including 2019/20 were based on face-to-face surveys and are not directly comparable. In other words, it is not clear whether the marked improvement in much of that data year on year is reflective of the wider opinions of the populace or a change in methodology. The blue rows on consumption or reach per week are based on a range of data collections. Industry radio audience data is not available for 2020/21 due to the suspension of RAJAR face-to-face fieldwork during 2020/21 because of Covid-19 restrictions.

A key part of the BBC's long-term strategy is the development of its online services and attracting younger agegroups. 2020-21 saw a growth in the number of iPlayer accounts signing on weekly to 10.7m. The proportion of BBC TV consumed through the iPlayer also grew. Importantly, the iPlayer accounts for 37% of all BBC TV viewed by 16-34 year-olds (12% for all ages). The number of BBC Sounds weekly logins was 3.5m.

BBC STRATEGY

Purposes and strategy

The BBC is an organisation that exists due to a Royal Charter. The BBC's mission, is set out in the Royal Charter and 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 section relate to these purposes directly.

The BBC's strategy can be linked to the purposes. The strategy reported in the annual accounts for 2020-21 set out six strands to the BBC's strategy—

- Renewing the commitment to impartiality
- Focusing on unique, high-impact content

- Extracting more value from online
- Building the commercial income
- Creating a modern, highly efficient BBC
- The BBC Across the UK

Part of the strategy to improve commercial income is to move Children's production and BBC3 productions into BBC Studios.

A 'modern highly efficient BBC' "means smaller, less bureaucratic, more agile and more representative of the country we serve" and an inclusive workplace. In terms of the inclusivity of the work place, the Director General has committed to creating a 50:20:12 organisation. This means "50% women and 50% men; at least 20% black, Asian and minority ethnic; at least 12% disabled". The BBC' 50:50 project is aimed at increasing women's representation onscreen and on-air this has been expanded to cover other protected characteristics. The Annual Report provides data on the contributions of individuals with these protected characteristics on and off screen.(p37) The BBC Pay Gap Report also reports on the pay gaps for employees of the BBC PSB. (p56)

In terms of the final bullet in the strategy, the BBC Across the UK, the BBC stated—

"This year we set out plans to transform the BBC by making a dramatic and decisive shift in its footprint. Our Across the UK plan represents the biggest shake up of the BBC in our history. It is designed to shift our creative and journalistic centre away from London and move not just people, but power and decision-making, to the UK's nations and regions. In doing so, it will help support the creative sector around the country recover from the devastating effects of the pandemic." (p18)

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 current year and beyond. The Annual Plan for the current year stated—

"Now more than ever, it is critical that the BBC transforms for the long-term. Audience support for the BBC is strong. We have been able to maintain this public support through a constant process of change and renewal and must continue to evolve. In particular, the BBC must respond to the long-term changes in the media market and the changes brought, and accelerated, by the Covid pandemic. These include the increased influence of US-based, global media services and the risk to British culture that brings." (p3)

The 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 has 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.

It is not clear whether this plan replaces the previous strategic goals nor the extent to which BBC Scotland and wider stakeholders in Scotland informed these plans.

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.”

The plans include:

- A new version of BBC One tailored for audiences in Yorkshire, the North West and the North East of England.
- Two new soap-style network drama series - one from the North of England and another from one of the Nations - produced over the next three years.
- News and current affairs programmes like BBC Two's Newsnight being presented from different UK bases through the year, including Glasgow.
- Radio 4's flagship Today programme to be co-presented from outside London for at least 100 episodes a year.
- Key daytime strands on Radio 1, 1Xtra and Radio 2 will be moved from London and made across the UK.
- Radio 3 will be rooted in Salford, along with the majority of 6 Music.
- Radio 1's Newsbeat team will relocate to Birmingham, which will also be the base for the Asian Network.
- BBC News's Climate and Science team will move to Cardiff, while the Technology team will shift to Glasgow. The Learning and Identity News team will go to Leeds.

- The BBC World Service Business team will be moved to Salford, with cuts to global business and economics coverage.
- A new generation of 100 new reporters to be based in towns and areas that have never had a regional TV presence.
- The BBC Concert Orchestra and some Proms to leave London, plus a music events calendar more rooted across the UK.

This plan also stated that the BBC would renew its partnership with Screen Scotland to “strengthen studio-based production in Scotland, and support the growth and development of Scottish drama, factual and comedy”.

The BBC, in its BBC Across the UK document, also stated that the BBC Studios base in Glasgow would be expanded. The BBC will also seek to improve the digital aspects of its Gaelic language services.

One of the issues the previous committee explored is how programmes are commissioned for UK-wide networks. This process involves a commissioner in Scotland and one representing the channel (e.g. BBC2), typically in London. The plan addresses this point and says—

“We will rebalance our network TV commissioning power across the UK to create a new ‘Pan-UK commissioning model’ that situates more decision-making outside London. We will grow the next generation of commissioning talent across all four Nations, while also bringing network and Nations teams closer together to commission content for both UK and Nations audiences to maximise portrayal, authenticity and impact. This will include new roles based in the North East, North West, Scotland, Wales and Northern Ireland. ...

“Each network radio controller will have at least one commissioner based in one of our hubs around the UK by 2027” (p5)

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 MoU committed the BC to a number of actions. These are set out in Annexe A.

The MoU was intended to cover two years up to February 2021 and be reviewed after one year. It is not clear whether the MoU has been reviewed or renewed.

Role in pandemic

The BBC’s key responses to the pandemic were in supporting dissemination of news and guidance on the pandemic and expanding the education resources. The [Annual Plan stated](#)—

“We rapidly expanded our educational offer to support young people, parents and teachers. We challenged misinformation on Covid and vaccinations. We launched temporary local radio stations in key areas to help communities through lockdown

and delivered hundreds of live music performances; first from homes and then from live venues as restrictions allowed. We supported the industry and worked in partnership with other media organisations to ensure production could continue.”

The BBC sees its role to continue in these efforts and also to support the cover of the cultural sectors.

WIDER POLICY CONSIDERATIONS

Licence fee

The mid-Charter licence fee negotiations between the UK Government and BBC began in November 2020. 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.”

Over-75s

In previous years, households in which one or more persons over the age of 75 reside, as their primary residence, were entitled to a free licence and the BBC was reimbursed by the Department of Work and Pensions (DWP) for these free licences. This funding was phased out starting from April 2018 and no funding was received in 2020/21 for in-year licences.

From 1 June 2020, the BBC had the responsibility to collect age-related concessionary licences; however, the BBC’s Board decided to delay collection of these licences until 1 August 2020. Any household that includes an individual over 75 who receives Pension Credit is eligible for a free licence, funded by the BBC. People over 75 who do not receive Pension Credit now need to pay for their licences. In 2020/21 the BBC provided around 1.3 million free licences.

Future of Public Service Broadcasting

Ofcom completed a consultation on the future of public service media (ie PSBs and their online services). It noted that PSBs face considerable challenges. This includes “a rapidly changing market means a broad range of broadcast and online services now compete for audience attention, with public service broadcasting facing challenges from large global players with significant financial resources.” It also stated that the pandemic had exacerbated these challenges while also demonstrating the importance of PSBs.³

It published its conclusions of [Small Screen: Big Debate](#) on 15 July 2021 in which it made a number of recommendations to the UK Government. Ofcom noted the importance of PSBs to audience and supporting creative industries across the UK. It recommended that the UK Government bring in legislation to modernise the objectives for PSBs, the accessibility of its content on online platforms and the accountability structures. In relation to the BBC, much of this could be achieved through the Charter renewal process.

³ https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0023/221954/statement-future-of-public-service-media.pdf p10

Ofcom also recommended that PSBs work together and with other players in the market strategically to address the challenges of changing consumption patterns and pressures on income.

Annexe B reproduces a summary of this work.

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SPICe Research
30 August 2021

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot

ANNEXE A

Extract of the Memorandum of Understanding Between the BBC and Screen Scotland

The BBC commits to:

The following commitments will strengthen and enhance the BBC's work in Scotland, please see section "Working together" on pages 5-6 for detail.

- Deliver on its commitment to open up 100% of television content to competition in Scotland by 2027, other than where it is not value for money to do so.
- Spend a minimum of £500,000, between February 2019 and March 2020, to support the delivery of ambitious projects which improve the representation and portrayal of the Nation.
- Invest a minimum of £1m on the development of scripted and unscripted ideas for Network Television in Scotland over the next two years (to February 2021).
- Continue to invest in the "Writer's Room" to develop local writing talent.
- Ensure commissioners with decision-making power in a range of relevant genres visit Scotland to communicate their ambition and programming needs, and actively develop relationships with production companies who have ideas or potential to deliver against them.
- Deliver a minimum of 3 Drama series per year from Scotland and aim for 2 of those to be returning by the end of 2021.
- Deliver a minimum of 3 Comedy titles per year from Scotland - at least 2 of which will also deliver portrayal for Scotland -and develop ideas for returning series to replace the current successful shows.
- Deliver a minimum of 3 Factual series from Scotland per year (outside of Daytime), with at least one peak-time programme showcasing Scotland to the rest of the UK (this could be formatted or otherwise).

The BBC is committed to working with the sector and Screen Scotland to developing a stronger format pipeline over time.

<https://www.screen.scot/binaries/content/assets/screen-scot/funding--support/research/combined.pdf>

ANNEXE B

Ofcom calls for stronger system of public service media fit for the digital age

Ofcom is recommending a radical overhaul of laws to ensure that public service media survives and thrives in the digital age.

Our recommendations to the UK Government mark the conclusion of Small Screen: Big Debate – an in-depth review on the future of public service media (PSM). The report calls for the renewal of the PSM system to ensure it can flourish for the next decade and beyond.

During the course of the review, we spoke to audiences of all ages and backgrounds right across the UK, including at events held in Aberdeen, Stirling and Stornoway in early 2020. We also met broadcasters, streaming services, academics and analysts at home and abroad. Our consultation received over 100 responses, with consensus on two fundamental issues – the importance of PSM for UK viewers, and the urgent need to update the system to ensure its future sustainability.

Public service content matters to people and society... but it's under increasing threat. Our review makes clear that public service programming remains highly valued by UK audiences, and the pandemic has only served to reinforce its role in society.

Our research findings emphasise the special importance viewers place on high-quality, trusted and accurate news. It reveals a passion for soaps, drama and live sports, which bring us together, as well as programmes which reflect the diversity of the UK's nations and regions. Public service media is also central to the UK's creative economy, with about £3bn spent each year on new commissions across a broad range of genres.

But with global competition intensifying, viewers are no longer bound by television schedules and can pick and choose content from a range of online providers and platforms. Given these changes, the UK's broadcasting industry is facing its greatest ever challenge.

A step-change in broadcasters' digital plans – and an overhaul of legislation

To secure the future of PSM, broadcasters must accelerate their digital plans if they are to maintain a strong link with audiences, and the regulatory system also needs to be urgently updated.

So, we are recommending that the UK Government brings forward primary legislation to:

- **Modernise the PSM objectives.** New legislation should secure and strengthen PSM's most important features: a broad range of programming that reflects all parts of the UK, and the ability to engage the widest possible audiences. There should also be a new objective to support the UK's creative economy.
- **Update availability and prominence rules to include digital platforms.** Broadcasters and connected-TV platforms are struggling to reach commercial agreements, making it harder for audiences to find PSM content on digital platforms than on traditional TV. So new rules are needed to require PSM providers to offer their on-demand services to popular TV platforms. In turn, platforms should be required to include and give appropriate prominence to PSM content. Ofcom

should be given monitoring and enforcement powers, including the ability to resolve commercial disputes.

- **Update production rules for PSM content.** If PSM providers are to reach all audiences, they need to be able to commission content which they can deliver flexibly - both online and on broadcast TV. So we recommend that commissioning rules, designed to support independent productions, should apply to all PSM content, regardless of whether it is commissioned for broadcast TV or online. This would include programmes exclusively shown on online services.
- **Update the rules for PSM providers.** Broadcast licences need modernising to cover content produced across broadcast TV and online. PSM providers should be given the flexibility to innovate and respond to technological and market changes. Quotas should remain, to secure important PSM programming, like news, and to safeguard the quality of traditional broadcast TV for those audiences who continue to rely on them. PSM providers should be required to set out clear plans to deliver against their objectives, and report annually on their performance, with Ofcom holding them to account.

Transform and collaborate to compete

Legislative change to the existing framework alone is not likely to be enough to preserve the vital benefits of public service media; further radical approaches are required:

- **PSM providers must forge more ambitious strategic partnerships.** Deeper relationships between PSBs and other companies – particularly on platforms and distribution – could help them compete more effectively with global players and reach wider audiences. Channel 4 and Sky, for example, have recently expanded their existing partnership to cover content, technology and innovation.
- **Other companies should be encouraged to produce PSM programming.** The Government should consider how to encourage new providers to help deliver public service media in future. That could mean harnessing the broad range of high-quality, UK-based original news, drama and arts programming offered by existing commercial providers, such as Sky and Discovery. Or encouraging new providers of PSM or PSM-like content – for example, on social media platforms – to target audiences who don't connect with broadcasters on traditional TV platforms. Updated legislation should allow for complementary PSM providers to be added to the regulatory framework to maximise flexibility into the future.
- **Economic incentives to broaden PSM provision.** The Government should assess the case for financial support to add value for audiences in certain areas such as regional programming. This could be done through a range of incentives such as contestable funding or tax relief.

Source: Ofcom, Media Nations: Scotland 2021 (pp17-18)