

**CONSTITUTION, EUROPE, EXTERNAL AFFAIRS
AND CULTURE COMMITTEE**

2nd Meeting, 2024, Session 6

Thursday 18 January 2024

BBC

1. The BBC presents its annual report and accounts to the Scottish Parliament and this Committee takes evidence on this from BBC Scotland each year, the last time being in [September 2022](#).
2. Its most recent report and accounts for 2022/23 were published in [August 2023](#).
3. Ofcom is the BBC's regulator and its annual report was published in [November 2023](#) and also covers 2022/23.
4. The Committee agreed to take evidence on the BBC annual report following the publication of the Ofcom report.
5. There is a SPICe briefing for this evidence session at **Annexe A**.

Committee Clerks

January 2024

SPICe

The Information Centre
An t-Ionad Fiosrachaidh

Constitution, Europe, External Affairs and Culture Committee

BBC Annual Report and Accounts

18 January 2024

Background

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

The MoU committed the BBC to lay annual reports and accounts in the Scottish Parliament and to submit evidence and/or appear before Committees of the Scottish Parliament on matters relating to Scotland in the same way it does for Committees of the UK Parliament. This arrangement was subsequently incorporated into the BBC's Charter. The Committee [last took evidence regarding the BBC's annual report in September 2022](#).

The [BBC's most recent annual report and accounts](#) cover the year 2022/23 and were published in August 2023.

Ofcom regulate the activities of the BBC. It also produces an annual report on the BBC following the publication of the BBC's annual plan. The most recent was published in [November 2023](#) and also referred to 2022/23 financial year.

BBC Strategy

Purposes and strategy

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 used in the annual report relate to these purposes directly.

Annual plan

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

The strategic priorities for the current year are:

- Renewing the commitment to impartiality
- Focusing on more unique, high-impact content
- Extracting more from online
- Building commercial income
- Transforming the BBC

The BBC Across the UK

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

“Our ‘Across the UK’ plan will transform the BBC by making a decisive shift in its footprint. Over the next six years we will recreate the BBC as a genuinely UK-wide organisation with a much stronger presence across the length and breadth of the country. This shift will move the creative and journalistic centre of the BBC away from London to a much more distributed model that moves not just people, but power and decision-making to the UK’s Nations and regions. Taken together, these proposals mean the BBC will cumulatively

spend at least an extra £700m outside London by 2027/28, generating an additional economic benefit to those parts of the UK of around £850m.”

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

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

Relationship with Screen Scotland

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

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

In November 2023 a joint briefing was held in Glasgow by Screen Scotland, BBC Scotland and BBC Content announcing the commitment to [co-funding the development and production of a new factual entertainment and history series format from Scotland](#).

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

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

Steve Carson, director of BBC Scotland, stated during the Committee [meeting on 29 September 2022](#) that:

“There is a very strong story of momentum building... and the creation of Screen Scotland has been part of that, too. Scotland can be proud of the creative sector and the independent broadcast sector as well as what BBC Scotland does itself, and with support, that momentum will continue and will continue to have a positive economic impact.”

Changing landscape

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

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

“Around us, audience behaviour continues to change, the cost of content continues to rise and competition is increasing. As a result market conditions remain challenging for all media organisations. It is becoming clear that on-demand markets are maturing, and growth is increasingly difficult to come by, particularly as costs increase and many consumers appear to be reaching the limit of what they are willing to pay for ad-free TV. At the same time younger audiences continue to move away from traditional TV viewing – YouTube and TikTok now account for almost 50% of time spent for 16-24s out of all in-home video viewing. ... The BBC has been similarly challenged by consumer change, increased costs and fierce competition. We expect the same challenges to persist in 23/24 but the BBC remains well-placed to continue to provide outstanding value to licence fee payers, UK society and the creative economy.”

Activity and performance of the BBC in 2022/23

The [BBC’s most recent annual report and accounts](#) cover the year 2022/23 and were published in August 2023.

Overall income and expenditure

The accounts for the BBC as a whole show that the total income for the group in 2022/23 was around £5.7bn. Of this, £3.7bn was licence fee income and almost £2bn was from other income, such as from its commercial activities, primarily BBC Studios. Operating costs were around £5.9bn and there was a deficit of £102m in 2022-23. (p179)

Licence fee income dropped by £60m (around 1.6%) between 2021/22 and 2022/23. Improved commercial income led to a 30% year on year increase in non-license fee income.

The value of licence fee income in Scotland fell by 2.3% to £304m in 2022/23. The BBC’s annual report sets out the spend relating to programmes produced in

Scotland. These are reproduced below along with the corresponding figures for the previous 2 years.

Expenditure by service in Scotland

	(£m)		
Network Spend	20/21	21/22	22/23
TV (inc. Sport and Children's)	42	68	81
Radio	3	3	3
Online	5	4	4
Total network spend	50	75	88
Local spend			
TV – BBC One	28	34	37
TV – BBC ALBA	9	9	10
BBC Scotland	34	37	35
Radio Scotland	23	24	25
Radio nan Gàidhael	4	4	4
Online (and red button)	10	10	10
Total local spend	108	118	121
National Orchestra	5	5	6
Development	8	8	10
Distribution	37	35	37
Total	208	241	262

Source: BBC Annual Report and Accounts

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

Overall, the spend in Scotland increased by £54m between 20/21 and 22/23.

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 2022/23 the figure for spend on Network TV programmes produced in Scotland was 8.4% (p34). This quota has been met in each of the past 5 years with the exception of 2020/21.

2018/19	10.4%
2019/20	9.1%
2020/21	6.5%
2021/22	8.6%
2022/23	8.4%

The BBC present a breakdown .at a UK level of how licence fee income is spent. (p53) The table below sets this out in percentage terms.

Television	61%
Radio	16%
Online	8%
World Service	11%
Other services and production costs	4%

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

Spend as % of Fee income	2020/21	2021/22	2022/23
England	59%	69%	72%
Scotland	67%	77%	86%
Wales	90%	99%	111%
Northern Ireland	84%	97%	111%
Total GB & NI	62%	72%	76%

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

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

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

“The World Service accounts for more than £250 million of that expenditure. There is a cost for sports rights, [for example in 2018] we had the Commonwealth games and the world cup. We also have distribution contracts with international companies that operate satellite contracts. There is a range of costs, including for outsourced provision of services and facilities in other parts of the world.” (col 28)

It is also worth noting that spend allocated to one nation might include activity in another. For example, the Six Nations is allocated in England (Salford), but clearly includes activity and spend in Scotland. [Ofcom sets out the rules](#) for how a

programme’s geographic allocation is determined. To further complicate matters, returns from the BBC’s commercial activities are becoming more important in the funding of the service and it is unclear to what extent the activities and profits of those businesses support different nations’ creative industries.

The Annual Report also provides data on both the total BBC headcount in Scotland and the headcount of staff supporting Scottish services averaged across the year. In 2022/23, the figures were 1,236 and 981, up from 1,225 and 962 in the previous year. (p161) The BBC also provides data on the overall group employment. (p59) On average the BBC group headcount was 19,653 and therefore the percentage of the workforce in Scotland was 6.3% (up from 6% the previous year).¹

Audience

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

Across the UK, the BBC annual report states that—

- On average 88% of UK adults and 76% of young adults (16-34), and 72% of under 16s used a BBC service on average per week. (p44)

The BBC also reports the reach and impressions of the BBC in each nation. In order to provide a snapshot of trends over this session, the reported data in the 2019/20 annual report has been used to provide the information in brackets.

2022/23 (change on 2019/20 (% pts))	E	S	W	NI
BBC is effective at informing, educating and entertaining people in the UK/them	69% (-2%)	64% (0%)	64% (-2%)	64% (-2%)
BBC is effective at providing content/services that set a high standard for quality	67% (-2%)	60% (-1%)	61% (-13%)	61% (-1%)
BBC is effective at reflecting people like them	55% (-2%)	50% (-1%)	50% (-6%)	53% (-1%)
Pan-BBC reach	88%	87%	91%	84%
BBC Television reach	69% (-9%)	68% (-11%)	72% (-6%)	67% (-12%)
BBC Radio reach	59% (-3%)	52% (-1%)	64% (-5%)	55% (-3%)
BBC Online reach	60% (+7%)	59% (+1%)	60% (0%)	62% (+17%)

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

The UK-wide audience data is broken down by gender, as well as socio-economic and diversity groups. The full table can be found on page 37 of the report however the figures include:

- The BBC reaches 90% of those who are defined as white, but only 73% of the Black, Asian and minority ethnic group.
- Reach for the ABC1 socio-economic group is 89% compared to 86% for the C2DE group.
- Reach is the same for male and female users at 88%.
- BBC audience reach for disabled people is at 90%.

Reach is also recorded in the report for specific Scottish channels. The figures show the percentage of the Scottish population who use the service on average per week. For the Gaelic programming, the figures reflect the percentage of the Scottish Gaelic speaking population over the age of 16. (p159)

BBC Scotland	13%
Radio Scotland	17%
BBC Alba	50%
Radio nan Gàidheal	53%

A key part of the BBC’s long-term strategy is the development of its online services. 2022-23 saw the continued growth in the use of iPlayer with 7.3 billion streaming requests, up 11% on last year. The use of BBC Sounds also increased with 1.64 billion plays of radio, music and podcasts on Sounds, up 7% on last year.

Independent producers

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

Overall, the [BBC continues to exceed this target](#), with 33% of its productions commissioned from qualifying independent companies. In 22/23, the BBC worked with 351 TV producers, and 166 radio producers. Of the TV producers, 12% had their substantive base in Scotland – the highest percentage of any nation or region outside of London.

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

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

- 100% of relevant online material

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

Across the BBC, in 2022/23 63% of relevant TV hours met this criteria. The level of contested hours in Scotland-specific output was not set out in the Commissioning Supply Report.

Ofcom report on the BBC 2022/23

Ofcom is responsible for holding the BBC to account on behalf of audiences for delivering its remit. It publishes an annual report on the BBC detailing its performance against the regulatory conditions. The most recent report was published in [November 2023](#) and referred to 2022/23 financial year.

The BBC’s [most recent operating licence](#) was published on 23 March 2023 and came into effect on 1 April 2023. It sets out the regulatory conditions that the BBC must comply with, as well as how Ofcom intends to hold the BBC to account for delivering this remit.

Quotas are a key feature of the operating licence, and there are over 70 of them in total. These are used by Ofcom to ensure that the BBC delivers a minimum volume of certain content. There are also several requirements detailed in the licence including: criteria for the BBC’s online services; the need for services to cover a broad range of content; and an expectation that niche areas are covered even if they attract smaller audiences.

Some of the quotas and requirements specific to programming in Scotland include:

- In relation to each of BBC iPlayer, BBC Sounds, the BBC Website, BBC One Scotland, BBC Scotland, BBC Alba, BBC Radio Scotland and BBC Radio nan Gàidheal, the BBC must provide content of interest and relevance to audiences in Scotland, including a broad range of content which reflects Scotland’s culture.
- BBC Scotland must show original productions for a minimum of 75% of programming hours.
- In Scotland, Northern Ireland and Wales, programming should include indigenous language content and a broad range of genres.
- The BBC must ensure that in each calendar year at least 8% of the hours of network programmes made in the United Kingdom are made in Scotland and at least 8% of the expenditure of the BBC on network programmes made in the United Kingdom is linked to programme production at different production centres in Scotland.

More information on the operating licence can be found in the [SPICe blog on the topic](#).

Overall findings

The Ofcom report on the BBC for 2022/33 found that “overall, the BBC has performed well and has continued to deliver its Mission and Public Purposes.” It also highlighted a number of challenges that require further work by the BBC:

- The BBC must continue to challenge and ask difficult questions of itself as it embeds its impartiality recommendations.
- Audiences from D and E socio-economic groups remain less satisfied with the BBC’s performance than those from other groups.
- As the BBC transforms, it must continue to serve all audiences and provide more clarity to them about what it is doing and why.
- The BBC needs to continue to consider the impact on competition as it makes changes to its services

The report also highlights the work the BBC has undertaken in the area of diversity. It concludes that “the BBC has a wide range of content initiatives in place designed to serve all audiences. It should continue to work to show how it assesses and builds on the impact of these schemes.” The report states that:

“The BBC is coming to an important juncture in its diversity work. As several of its biggest on- and off-screen/air diversity strategies reach their conclusions, it has an opportunity to ambitiously build on the foundations it has laid in recent years.”

Findings relating to Scotland

The report takes a specific look at how the BBC performed across the nations, including in Scotland. It states that in 2022/23 the BBC met all of its Operating Licence conditions that relate to Scotland.

Ofcom found that in 2022/23 investment in network content production outside of London had increased, but that Manchester was the area that had mainly benefitted from this. The proportion of qualifying network spend in the other nations “either remained the same or decreased in 2022”. It also found that while there has been an increase in spend on regional programming for the nations and regions, it is still short of spend levels earlier in the Charter period. It notes that:

“hours of first-run UK originations for the nations and regions were slightly down compared to 2021. This is partly due to a decrease in first-run UK origination output of news content in Scotland and Wales due to the end of the Coronavirus Update briefings on BBC One Scotland and BBC One Wales. BBC Scotland also saw a substantial decline in non-news/non-current affairs content after it ended its Bitesize Daily and religious services programmes that were broadcast during the pandemic.”

The report also highlighted the fact that audience satisfaction with the BBC was lower in the nations compared to the UK overall. In particular:

“Audiences we spoke to in Scotland were particularly negative about the BBC’s portrayal of their lives. They felt that the BBC’s portrayal of life in Scotland often relied heavily on stereotypes and did not show distinctive characteristics of different communities around Scotland.”

This issue was discussed by Louise Thornton, head of commissioning at BBC Scotland, during the Committee [meeting on 29 September 2022](#). She noted that:

“new writing is absolutely key to authentic portrayal and storytelling that reflects a modern Scotland, which is what we are all here for.

“We have various ways of developing writing talent. All of you will probably be aware of BBC Writersroom, which has been incredibly successful over the past few years. We have a close relationship with it.”

Ofcom also stated that they were working with the BBC to better understand how undertaking regional activities had an impact on audiences. One example given was that “for BBC Radio 1’s Big Weekend in Dundee this year, there was a notable proportionate increase in listening on BBC Sounds for accounts based in that area.”

The report also provides an overview of BBC activity in Scotland on page 52, followed by a summary of the main findings relating to Scotland. These were:

- While overall BBC spend in Scotland increased, there was a slight reduction in the proportion of network spend and hours produced. BBC Scotland produced 12 co-commissions with the BBC network, up from 6 the previous year. Successful shows filmed in Scotland included *The Traitors*, *This Farming Life*, and *Shetland*.
- The BBC’s technology reporting team is now based in Glasgow.
- BBC Radio Scotland made changes to its music provision. (Discussed by the Committee at their [meeting on 23 February 2023](#).)
- The BBC continues to partner with Scotland’s creative sector including with Screen Scotland and is running various training initiatives in areas where there is a perceived skills shortage in Scotland.
- Discussions remain ongoing between the BBC and MG ALBA as they look to renew their partnership agreement around BBC ALBA.

Media Nations

Ofcom’s Media Nations report examines key trends in the media sector and sets out how audiences are served in Scotland, from a cross-platform perspective. [The report for 2023 was published in August this year](#).

The key findings in the report on Scotland include:

- Netflix was the most used streaming service in Scotland (77%) while the BBC iPlayer was the most used in Northern Ireland, Wales and the UK overall.
- People in Scotland spend more daily time watching video (4h 43m) than the UK average (4h 25m). (‘Video includes: live TV, recorded TV, broadcaster video-on-demand and content on video-sharing platforms)
- The most watched programme in Scotland in 2022 was the England v France World Cup quarter final, with the state funeral of HM Queen Elizabeth II in second place.

Of the Public Service Broadcasting (PSB) channels, the BBC streaming service was the most popular:

“Nearly two-thirds of people in Scotland (65%) used the BBC iPlayer in 2023, with about two in five used the STV Player (40%) and Channel 4’s VoD service (38%) over the same period. Following its launch at the end of 2022, just over a quarter of people in Scotland said they used ITVX in early 2023.”

Scottish viewers also used the BBC most for news in general, although STV is the most-used source for news about Scotland.

Figure 14: Sources used to access news about own nation: 2023

England		Northern Ireland		Scotland		Wales	
BBC One	30%	UTV	41%	STV	33%	BBC One	38%
ITV1	18%	BBC One	34%	BBC One	26%	ITV Wales	28%
Facebook	16%	Facebook	17%	Facebook	22%	Facebook	25%
BBC website/app	9%	BBC Radio Ulster/Foyle	15%	BBC Scotland TV	10%	BBC website/app**	13%
BBC News Channel	5%	Cool FM	9%	Twitter	9%	Any Wales based news sites/apps	10%
Instagram	5%	U105	7%	BBC website/app	8%	Twitter	6%
Twitter	5%	BBC website/app	6%	Clyde 1/ Forth 1/ West Sound/ Tay FM/ Northsound 1/ MFR	7%	BBC Radio Wales	6%
		BBC iPlayer	5%	BBC News Channel	5%		
		Twitter	5%	Sky News Channel	5%		
				NET: BBC One/BBC Scotland	34%		

Source: Ofcom News Consumption Survey 2023 – Combined F2F and ONLINE sample. Question: F6. From which of the following sources do you get news about what is going on in NATION/REGION nowadays? Base: All adults 16+ using TV/Newspapers/Radio/Internet/Magazine for news 2023 – England=2466, Scotland=655, Wales=617, Northern Ireland=541 **Includes Welsh language version.

The Ofcom report noted about news in general that:

“Just under half of all adults in Scotland (43%) use BBC One for news in general, making it the most used news source, followed by Scotland’s Channel 3 providers STV and ITV1 (40%) and Facebook (also 40%). Other

TV channels in the top ten include Sky News Channel and BBC News Channel. Social media other than Facebook also rank highly too, with Twitter fifth (22%) and Instagram ninth (15%). The BBC website/app was the highest-ranking news-specific website or app (16%).”

In the Scotland report, Ofcom noted that:

“viewers in Scotland were more likely to say that BBC TV channels performed badly at delivering ‘regional programmes that keep me informed about my area’ compared to the UK total (17% vs 10%), whereas for ITV and STV’s PSB channels, viewers were more likely to say they delivered well on ‘programmes that feature Scotland’ (69% vs 49%).”

Laura Haley
SPICe Research
15 January 2024

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.

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