



Department  
for Culture  
Media & Sport

# A BBC for the future: a broadcaster of distinction

May 2016

#yourBBC





# **A BBC for the future:** a broadcaster of distinction

Presented to Parliament  
by the Secretary of State for Culture, Media & Sport  
by Command of Her Majesty

May 2016



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# Contents

|   |           |  |           |
|---|-----------|--|-----------|
| <b>Foreword</b>   | <b>5</b>  | <b>3. Enshrining independence and accountability</b> | <b>46</b> |
| <b>Key recommendations</b>  | <b>6</b>  | Creating a unitary board for the BBC                 | 48        |
| <b>Executive summary</b>  | <b>8</b>  | Introducing an external regulator                    | 51        |
| <b>1. Introduction: the BBC is much loved and remains a central part of British society</b> | <b>18</b> | A new framework and licensing regime                 | 54        |
| Changing context  | 20        | Reforming regulatory processes and powers            | 56        |
| A central role for public service broadcasting  | 22        | A longer Charter                                     | 57        |
| Maximising public value, adapting further   | 23        | Increasing accountability to the nations             | 59        |
| What the BBC does and how it compares   | 24        | Continued partnership with S4C                       | 59        |
| <b>2. Prioritising distinctiveness and serving all audiences</b>                            | <b>26</b> | An easier, more efficient complaints system          | 60        |
| The BBC's mission   | 28        | Engaging with the public                             | 61        |
| Reforming the public purposes   | 30        | <b>4. Supporting the creative sector</b>             | <b>62</b> |
| Defining and evidencing distinctiveness   | 31        | Assessing market impact                              | 65        |
| Achieving greater distinctiveness at service level  | 37        | Making the BBC a better partner                      | 66        |
| Protecting the World Service  | 39        | Content distribution                                 | 69        |
| Meeting the growing challenge of serving all audiences                                      | 40        | Promotion of services                                | 70        |
| Improving provision for Black, Asian and Minority Ethnic (BAME) audiences                   | 40        | Maximising consumer choice                           | 70        |
| Improving provision for nations and regions   | 42        | A new contestable fund                               | 71        |
|   |           | BBC archive  | 73        |
|   |           | Supporting local news                                | 73        |
|   |           | Digital switchover for radio                         | 74        |

# Contents

## 5. Enhancing efficiency and transparency 76

|  |    |
|--|----|
| Competition in content production              | 78 |
| BBC Studios                                    | 82 |
| Delivering further efficiency                  | 83 |
| Increased transparency of BBC spending         | 85 |
| Commercial subsidiaries reviewed and regulated | 85 |
| The National Audit Office role                 | 87 |
| Research and development                       | 89 |

## 6. Ensuring a modern, sustainable, funding model 90

|  |     |
|--|-----|
| The licence fee level  | 92  |
| Closing the iPlayer loophole   | 94  |
| Greater freedom to manage budgets  | 96  |
| Using the licence fee for public service content                           | 97  |
| Greater transparency in future licence fee settlements                     | 97  |
| Investigation and prosecution of TV licensing offences                     | 99  |
| Introducing more flexible payment plans                                    | 100 |
| Voluntary payments for over-75s  | 100 |
| Paving the way for a new more sustainable funding model in the longer term | 102 |

## 7. Annexes 104

|  |     |
|--|-----|
| Annex 1 – Charter Review timeline      | 105 |
| Annex 2 – Consultation and engagement  | 106 |
| Annex 3 – Summary of consultation data | 109 |
| Annex 4 – Summary of polling           | 112 |
| Glossary                               | 116 |
| End notes                              | 118 |

# Foreword



**John Whittingdale**  
Secretary of State for Culture,  
Media & Sport

To inform, educate and entertain. For almost 100 years the BBC has been pursuing the vision of its founder and first Director-General, Lord Reith. It is a revered national institution, and familiar treasured companion. It is a cultural, economic and diplomatic force that touches the lives of almost all of those who live in the UK and hundreds of millions beyond these shores. It is the heart of our public service broadcast system, and remains the envy of the world in what is a now a global media market.

The BBC's current Royal Charter, its eighth, comes to an end in December. Over the last ten months we have listened to the views of hundreds of organisations and institutions and hundreds of thousands of members of the public. We have also had the benefit of expert input from committees in Westminster, Holyrood, Cardiff and Stormont, and there has been a vocal, and often passionate, public debate.

The proposals that we are publishing today, therefore, are the result of one of the largest and most open consultations ever conducted, and are informed by the evidence that has been provided to us by those who watch and listen to the BBC: those who rely on it, those who love it, those who can be frustrated by it and those underserved by it.

The proposals that the government has set out in this white paper are about ensuring the BBC has a bold, strong and stable decade ahead. They will embolden the BBC to take risks, confidently and unashamedly to create the highest quality, distinctive content for all audiences.

At its best, the BBC makes programmes that are popular as well as individually and collectively unique – informing, educating and entertaining in a way which serves all nations, regions and communities in the UK. The BBC can only be successful if it continues to create new and innovative content which breaks boundaries and sets new standards through its creativity, ambition and innovation.

We want the BBC to thrive in a world of increasing technological, social and economic change. And we will ensure the BBC has a governance and regulatory framework that guides it always to act in the public interest and deliver good value to the people who pay for it.

The new Royal Charter will also go further than ever before in protecting the fundamental principle of BBC independence. The BBC should always have the editorial and operational independence to decide how best to serve its audiences and the BBC will now, for the first time, be able to appoint the majority of members to its sovereign board.

Like any organisation the BBC is not perfect. And it has made mistakes. What is important is that the BBC learns from those mistakes, and that previous failings are addressed. In renewing the BBC's Royal Charter, therefore, the government wants to enhance the best of the BBC, but address those areas where it could, and should, do better.

The government is clear that the BBC has a vital and enduring role to play for the next Charter period and beyond. As the BBC approaches its centenary the government will provide the foundations for a stronger, more independent, more distinctive BBC that will inform, educate and entertain for many years to come.

A handwritten signature in black ink that reads "John Whittingdale". The signature is written in a cursive style with a horizontal line underneath the name.

**John Whittingdale**  
Secretary of State for Culture,  
Media & Sport

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## Key recommendations

- **Enable the BBC to make even more great programmes for audiences to enjoy**, by incentivising more distinctive output that informs, educates and entertains.
- **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.
- **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.
- **Increase the licence fee level in line with inflation for five years from 2017/18 so that the BBC can continue to provide high quality, distinctive content for all audiences.** It will consequently remain one of the best-funded public service broadcasters in the world.
- **Ensure the BBC's market impacts are assessed more widely and effectively** by providing Ofcom with powers to investigate any aspect of BBC services.
- **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.
- **Establish a new contestable public service content fund** to create new opportunities for others to provide the best public service broadcasting content in the UK and enhance plurality in the provision of public service content.
- **Enhance the efficiency of the BBC by expecting the board to investigate issues relating to excessive management layers, and overall staffing levels.** This could deliver significant further efficiency savings by the end of the next Charter.
- **Promote greater transparency within the BBC** through enabling licence fee payers to understand how the BBC spends its budget between different types of programming, and through new transparency on remuneration of talent paid over £450,000.
- **Deliver a stronger role for the National Audit Office to scrutinise BBC spending and value for money.** The National Audit Office will become the BBC's financial auditor given the £3.7 billion of public money that it spends. The scope of its value for money investigations will be explored further.
- **Help make the BBC a better partner**, with a new focus on partnership in the Charter. The BBC should leverage its size and scale to enhance and bolster the creative industry sector by working more in productive partnership with UK players of all sizes so that others can benefit more extensively from its expertise and reputation.
- **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.



- **Enshrine a commitment to diversity in the Charter**, as part of a new overall commitment to ensuring the BBC serves all audiences. The BBC should be at the forefront of representing diversity both on and off screen.
  - **Ensure the BBC supports and invigorates local news provision across the UK**, through the delivery of proposals to work in partnership with the local news industry to support local democracy, including an additional 150 local news journalists.
  - **Embed the core principle of the impartiality of the BBC in its overall mission** to ensure it remains the most trusted provider of high quality news for audiences in the UK and abroad.
  - **Establish an 11-year Charter to 2027, separating Charter Review from the political cycle** and enhancing the BBC's independence.
  - **Introduce a new regularised process for setting the licence fee**, giving the BBC the financial certainty it needs by setting the licence fee every five years and ensuring that future licence fee settlements can be informed by independent advice for the benefit of licence fee payers.
- **Modernise the licence fee** by requiring all those who consume BBC on-demand content (e.g. on BBC iPlayer) to pay the licence fee, introducing more flexible payment plans and taking forward recommendations from David Perry QC's review of television licence fee enforcement. The Charter will also empower the BBC to pilot some elements of subscription in addition to their current services.
  - **Provide greater freedom for the BBC to manage its own budgets** by phasing out protected funding for broadband (£150 million a year) and local television (£5 million a year), while protecting the World Service, which brings high quality and impartial news to global audiences including where free speech is limited.

# Executive summary

|   |    |
|---|----|
| Prioritising distinctiveness and serving all audiences          | 11 |
| A better framework of governance and regulation                 | 13 |
| A BBC that partners with and supports the wider creative sector | 14 |
| Enhancing transparency and efficiency                           | 15 |
| Ensuring a modern, sustainable, funding model                   | 16 |

The BBC is one of this nation's most treasured institutions. The Royal Charter, the constitutional basis of the BBC, guarantees the BBC's independence and provides the framework for how the BBC is governed and funded. The current Royal Charter is due to expire at the end of 2016.

In renewing the BBC's Royal Charter and Framework Agreement (the Charter) it is right that we ask questions of the BBC. We should celebrate the things it does well, and protect what licence fee payers cherish and value. But we shouldn't shy away from seeking reform where necessary – to help the BBC thrive in the future, and to better meet the high expectations we all have of it. In reviewing the BBC's performance over the past decade, and setting its framework for the future, we want to create a stronger BBC – one that continues to command a central role in the lives of so many people here in the UK and overseas.

This white paper sets out the government's proposals for ensuring the right supporting framework is in place to strengthen what is one of our greatest public institutions for the coming decade and beyond.

The proposals in this paper flow from an extensive process of consultation and evidence gathering, in line with the government's commitment to an open and transparent Charter Review process. This has included a public consultation, to which over 190,000<sup>1</sup> people contributed, an independent review of the governance and regulation of the BBC led by Sir David Clementi, a public opinion study considering in particular the views of underrepresented groups, and a review of the BBC's market impact. In total over 300 organisations and experts have engaged in the Charter Review process. Many others have also contributed formal reports including the Culture, Media and Sport Select Committee, Lords Communications Committee, the BBC Trust and the BBC Executive. In addition, the Radio Times conducted a survey on the BBC, which over 9,000 of its readers completed. The government considered all of these contributions.

### An open and transparent Charter Review process



**192,564**

responses to the public consultation received



**4,000**

adults across the UK participated in nationally representative polling, **16** focus groups and **12** in-depth interviews



**Over 300**

organisations and experts engaged in Charter Review process



**The Clementi Review** looking at how the BBC is governed and regulated published

1 March 2016



**Independent report** into market impact and distinctiveness of BBC published

1 March 2016

It was a clear message from our consultation that the BBC remains much loved and admired, and that it plays an important role in the daily lives of most of the population. A wide range of audiences rate it highly – with 80 per cent of consultation responses saying the BBC serves its audiences well or very well.<sup>2</sup> And its market share in television, radio and online means it remains a powerful media force in the UK, despite increased competition (see below and opposite).

For all these notable successes, the BBC has faced questions in recent years, including about its governance, its distinctiveness, the market impact of its more mainstream services, the extent to which it serves all sections of society, and its efficiency and value for money. Furthermore, over the coming decade the BBC will need to respond to a series of challenges, including continued changes in technology which will further increase choice for consumers.

To enable the BBC to thrive over the coming Charter period, the government will therefore set a framework for the BBC which:

- allows it to focus its creative energy on high quality distinctive content that differentiates it from the rest of the media market while serving all audiences;
- protects the fundamental principle of independence and ensures it is governed and regulated effectively, with clear accountability for promoting the public interest;

- places supporting the wider UK creative industries at the heart of its operations, taking care to minimise any undue negative market impacts;
- enhances its efficiency and transparency; and
- allows it to be supported by a modern, sustainable and fair system of funding.

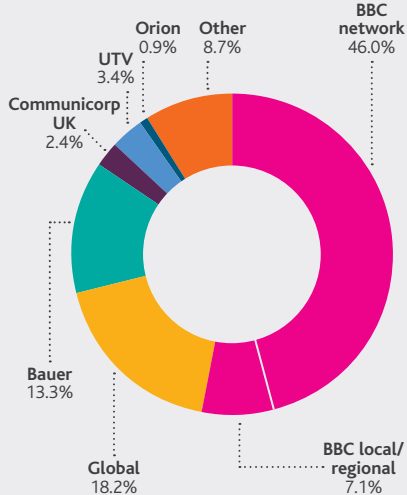
This will mean the BBC can successfully adapt to the changing environment it finds itself in, continue to provide great programmes and services for all audiences, whilst ensuring it does so in the public interest.

### The BBC in numbers

The BBC is the largest and most influential player in the UK media market. It has:

- the highest audience share of any provider in UK television and radio markets, with **33 per cent** of the television audience and **53 per cent** of the radio audience;<sup>3</sup>
- nearly **£5 billion** of annual revenue (including **£3.7 billion** from the licence fee)<sup>4</sup> making it one of the best-funded public service broadcasters in the world;<sup>5</sup>
- one of the world's leading websites (bbc.com) with **101 million** unique browser visits in January 2015<sup>6</sup> and a news and information site (bbc.co.uk) which is one of the most clicked online content portals in the UK;<sup>7</sup>
- the most used on-demand service (iPlayer) provided by the major broadcasters and platforms in the UK, with around three in ten adults (**31 per cent**) using it in 2014;<sup>8</sup>
- the largest production capacity in the UK, with an in-house facility that supplies **20 per cent** of all originated non-news television content in the UK and around **65 per cent** of all radio content;<sup>9</sup>
- a global audience of **348 million** reached weekly across radio, television and online – the BBC World Service audience now stands at **246 million** and BBC Global News reaches **108 million** on television;<sup>10</sup> and
- through its commercial subsidiary BBC Worldwide, probably the largest distributor of secondary and ancillary television and audio rights outside the US studio system, with assets that include stakes in around **40** different commercial stations across the globe.<sup>11</sup>

The BBC is the largest radio operator in the UK – share of all radio listening hours Q1 2015



Source: Ofcom, The Communications Market 2015, based on RAJAR, all adults (15+), 12 months to Q1 2015. Base: National Total Survey Area

### Prioritising distinctiveness and serving all audiences

The BBC, by virtue of its founding public service ethos and unique funding model, can afford to take risks, to be innovative, ambitious, inspirational and bold. This means that the BBC should, in these respects, be different to commercial providers, giving listeners and viewers more choice, more variety and more high quality content. The public are clear about this: 80 per cent believe in the importance of the distinctiveness of the BBC.<sup>12</sup>

In many ways the BBC is different: 74 per cent of people believe the BBC delivers ‘fresh and new’ programming<sup>13</sup> and there are many examples of outstanding BBC content, including in natural history, comedy, science, arts, news and current affairs. But as the BBC Trust and others<sup>14</sup> have observed, the BBC needs to be more ambitious in certain areas. This is the case particularly in its more mainstream services on television, radio and online, such as BBC One (where 46 per cent of the BBC content budget is spent<sup>15</sup>), Radio 1, and Radio 2 (see chart). The government therefore wants to support the Director-General in his aim to create a BBC that is “more distinctive than ever – and clearly distinguishable from the market”.<sup>16</sup>

# 43%

43% of the public believe BBC One and ITV1 are quite similar apart from the adverts

Source: GfK Social Research, Research to explore public views about the BBC, May 2016

This is not an argument that the BBC should not be popular. Some of the BBC’s most distinctive programming – from David Attenborough’s *Life on Earth* to Brian Cox’s *The Wonders of the Universe* – reach very wide audiences by virtue of their quality. And the BBC can only be successful if it continues to reach people across all nations, regions and communities in the UK. But with the BBC enjoying 33 per cent market share in television, 54 per cent market share in radio<sup>17</sup> and the third most popular UK online service,<sup>18</sup> commissioning editors should ask first and foremost “is this programme sufficiently innovative and high quality?” and not “where will this feature in the ratings figures in the next week or month?”.

## New public purposes



### Providing impartial news and information to help people understand and engage with the world around them

The BBC should provide accurate and impartial news and current affairs to build people's understanding of all parts of the UK and of the wider world. Its content should be provided to the highest editorial standards. It should offer a range and depth of analysis and content not widely available from other UK news providers, using the highest calibre presenters and journalists, and championing freedom of expression, so that all audiences can engage fully with major UK and global issues and participate in the democratic process as active and informed citizens.



### Supporting learning for people of all ages

The BBC should help everyone learn about different subjects in ways they will find accessible, engaging, inspiring and challenging. The BBC should provide specialist educational content to help support learning for children and teenagers across the UK. It should encourage people to explore new subjects and participate in new activities through partnerships with educational, sporting and cultural institutions.



### Showing the most creative, highest quality and distinctive content

The BBC should provide high quality output in many different genres and across a range of platforms which sets the standard in the UK and internationally. Its services should be distinctive from those provided elsewhere and should take creative risks, even if not all succeed, in order to develop fresh approaches and innovative content.



### Reflecting, representing and serving the diverse communities of all the UK's nations and regions

The BBC should reflect the diversity of the UK both in its content and as an organisation. In doing so, the BBC should accurately and authentically represent and portray the lives of the people of the UK today, and raise awareness of the different cultures and alternative viewpoints that make up its society. It should ensure that it provides content and services that meet the needs of the UK's nations, regions and communities. It should bring people together for shared experiences and help contribute to the social wellbeing of the UK.



### Reflecting the UK, its culture and values to the world

The BBC should provide high-quality news coverage to international audiences, firmly based on British values of accuracy, impartiality, and fairness. Its international services should put the UK in a world context, aiding understanding of all parts of the UK. It should ensure that it produces content which will be enjoyed by people in the UK and globally.

## New mission:

**To act in the public interest, serving all audiences with impartial, high-quality and distinctive media content and services that inform, educate and entertain.**

Achieving this will require a change of culture within parts of the BBC – a change that the new BBC board will need to support as one of its main priorities. To help achieve this, the government will:

- place a requirement for distinctive services at the heart of the BBC's overall core mission of informing, educating and entertaining – the mission will also require the BBC to give greater focus to serving the diverse nations, regions and communities of the UK through a requirement to serve all audiences;
- embed distinctiveness within a revised set of the BBC's public purposes – these will also highlight the need for the BBC to be impartial;
- ensure the more mainstream services of BBC One, Radio 1 and Radio 2 are more differentiated from the rest of the market in areas such as playlists, genres, and levels of new programming through the new operating licence regime;

- require the BBC to give greater focus to serving those from Black, Asian and Minority Ethnic (BAME) backgrounds and from those nations and regions that are currently less well-served, building on its new diversity strategy; and
- support the World Service – arguably the BBC’s most unique and distinctive service – by protecting its funding at £254 million per year for the five years from 2017/18 and providing £85 million per year of government funding for increased provision in specific areas.

The government will also require Ofcom’s licensing of the BBC to include specific provision for the nations, retain its commitment to quotas on the amount of shows made outside London, and continue support for minority language broadcasting services in partnership with S4C and MG Alba. Together, this will ensure the BBC continues to play an important role in supporting a vibrant media industry across the whole of the UK.

### World Service future funding



**£254m**

Protected licence fee funding per annum

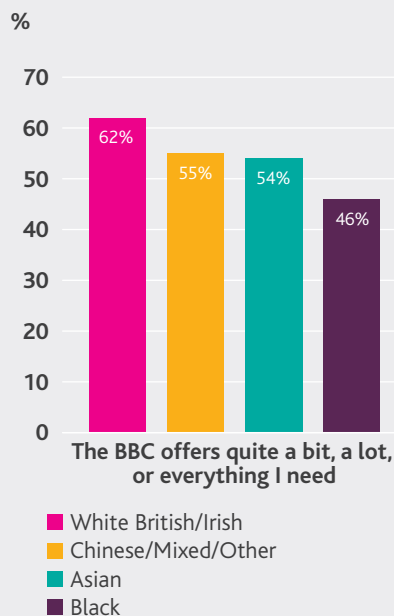


**£85m**

New funding from government for additional services\*

\*2016/17: £34m, 2017/18-2019/20: £85m per year

### Performance scores serving ethnic groups



Base: White: 1,721; Asian: 216; Black: 151; Chinese/Mixed/Other: 188

Source: NatCen Social Research for BBC Trust, Purpose Remit Survey, 2015

## A better framework of governance and regulation

The framework of governance and regulation is central to the success of the BBC, as it is for other public and private sector bodies. The BBC Trust model has been more effective than the previous board of Governors in a number of respects, including through increased transparency. But as the independent review led by Sir David Clementi concluded, there is a wide consensus that the current system needs substantial reform, in particular to provide a clearer division of responsibilities.

The new Charter will therefore:

- create a unitary board for the BBC with responsibility for governing the BBC in the public interest, in line with the mission and purposes set for it in the Charter. At least 50 per cent of the appointments to the new board will be made by the BBC itself;
- introduce external independent regulation of the BBC by Ofcom, as recommended by the Clementi Review. This will ensure a strong regulator sits alongside a strong BBC; and
- reform the mechanisms and powers of regulation by requiring Ofcom to establish a new operating licence regime for the BBC, backed with clear sanctions.

Alongside these key reforms to the BBC’s governance, the government will introduce four important other changes to the accountability framework for the BBC:

- separate the Charter Review process from the political cycle and enhance independence by establishing an 11-year Charter to 2027, with a mid-term review to check the effectiveness of the core proposals established in this Charter;
- make the BBC more accountable to the nations of the UK;
- reform the BBC’s complaints system; and
- set new expectations for public engagement and responsiveness.

### Lengths of Royal Charter



#### Length



#### Number of Charters

More than ten years

2

Ten years

5

Less than ten years

1

Charter extensions  
(six months – three years)

4

### Clearer roles and responsibilities

#### Proposed model

#### Governance

##### BBC Executive

- Set strategy
- Deliver services
- Oversee operational delivery
- Measure performance
- Engage the public

#### Regulation

##### Ofcom

- Issue licences
- Regulate editorial standards
- Arbitrate complaints
- Regulate commercial activity
- Regulate market impact
- Monitor and review performance

### A BBC that partners with and supports the wider creative sector

The creative sector in the UK has flourished in recent years – it has been growing at twice the rate of the rest of the economy since 2008 and now accounts for £84 billion of Gross Value Added (GVA) and 8.7 per cent of total exports of services.<sup>19</sup> But the sector is going to face a series of challenges in the coming years. In this context the BBC must do what it can to support the sector – from established players to micro and small and medium sized enterprises.

There is much that the BBC already does. It is a major purchaser, spending more than £1 billion on the services of around 2,700 suppliers involved in making programmes for the BBC.<sup>20</sup> Its presence can also drive up the quality of commercial programming and it works collaboratively in partnership with others, enabling them to benefit from its reach and reputation.

But there is more that can be done, particularly as the BBC’s scale and resources can have a negative impact on individual services and offerings in the UK media market by crowding out investment or creating barriers to entry for new firms. The BBC needs to move from a mindset of minimising its negative market impact or seeing other media players primarily as rivals, to one that proactively seeks to enhance and bolster – and work in partnership with – the wider broadcasting and creative industries. This is not about shaping the BBC in the interests of competitors. It is about maximising the net benefit of public funding, for the benefit of the public, the BBC, the creative sector and the UK’s economy and soft power.



To deliver this, the new Charter will:

- help make the BBC a better partner, leveraging its size and scale to benefit the creative industry sector by working more in partnership with UK players of all sizes, through a new focus on partnership in the Charter;
- ensure the BBC's market impacts are assessed more widely and effectively. Under the current system the regulator can only assess the market impact of 'significant' new services – the new Charter will provide Ofcom with powers to investigate any aspect of BBC services, including where minor changes have over time combined to have notable impact, with proportionate powers to sanction;
- ensure the BBC supports and invigorates local news provision across the UK, through the delivery of proposals to work in partnership with the local news industry to support local democracy; and
- establish a new £20 million per annum contestable public service content fund to create new opportunities for other broadcasters and producers to make public service broadcasting content. The government will consult on the details of this in the autumn.

In addition, there will also be more transparency about the volume and impacts of the BBC's promotion of its own services, with a requirement for the BBC to take greater care to steer its promotional activity towards areas of public value. The BBC will also be expected to ensure its content is available as widely as possible. It will be expected to lead the industry in any future digital switchover for radio. And it will be encouraged to open up its archive further so that the public and other organisations can benefit from its rich content.

### Enhancing transparency and efficiency

The BBC has taken a number of steps to enhance the efficiency of its operations in recent years,<sup>21</sup> with plans to deliver £1.5 billion of savings by the end of this Charter alone.<sup>22</sup> But with only 23 per cent of the public believing the BBC is efficient<sup>23</sup> – and with the need to continuously bear down on costs to ensure the programmes and shows audiences love are protected – further action is needed.

Requiring further transparency and greater efficiencies across overheads, distribution and content production will therefore be a core ongoing responsibility of the new unitary board. Its analysis will need to include what more can be done to lower pay-bill costs, given only very modest reductions in headcount in recent years, despite the licence fee being frozen since 2010.<sup>24</sup> The government will make a number of changes to the Charter to support this work:

- remove the in-house guarantee for all BBC television content production except news and news-related current affairs, opening up hundreds of millions of pounds of production spend to competition. In light of the benefits of competition for the creative industries and the licence fee payer, all productions, including returning series, sports, children's and non-news related current affairs will be tendered by the end of the next Charter, unless there is clear evidence that this would not be value for money. There will be a phased introduction of this requirement;
- provide in-principle support for the BBC's Studios proposal, provided the BBC design this in a way that delivers the necessary safeguards;
- enshrine greater public scrutiny of BBC spending and value for money through the National Audit Office (NAO) by making it the financial auditor of the BBC, reflecting that the BBC spends almost £4 billion of public money each year.<sup>25</sup> The government will explore further the merit of giving the NAO powers to conduct value for money investigations of the BBC's commercial subsidiaries;

– require a review of the BBC’s commercial operations. The BBC has three commercial subsidiaries, including two (Global News and Studioworks) that have been loss-making in recent years. The unitary board will be required to assess the extent to which these commercial operations promote the public interest and deliver value for money for the BBC. Ofcom will be given powers to ensure that the BBC’s commercial subsidiaries trade fairly; and

– require the BBC’s new unitary board to ensure that the BBC is transparent and efficient in how it spends its funding. The public has a right to know how its money is being spent. There will therefore be new requirements placed on the BBC to report spend by genre each year, and to disclose the names of talent paid more than £450,000.

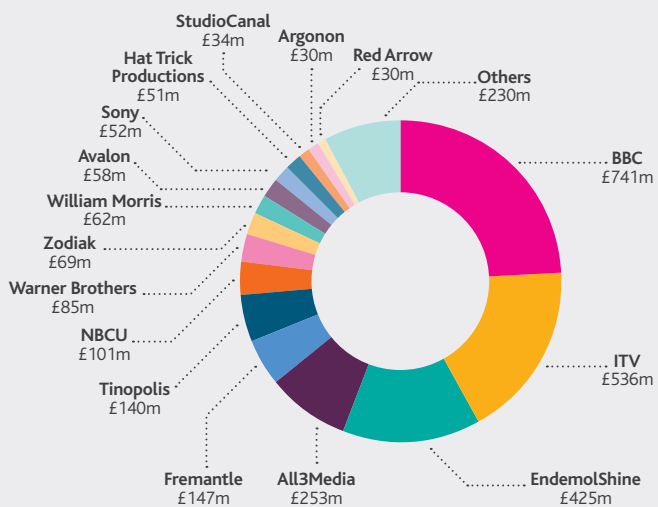
In the light of the BBC spending almost £170 million<sup>26</sup> a year on technology the government will also require the BBC to undertake a detailed review of its current research and development (R&D) activity.

### Ensuring a modern, sustainable, funding model

In order to provide the BBC with the level of funding and certainty it needs to deliver against its updated mission and purposes over the next Charter period, the government will maintain the licence fee as the main funding model for the BBC and will:

- increase the licence fee level in line with inflation to 2021/22 – this will mean the BBC will receive over £18 billion of income from 2017/18-2021/22 and will ensure that the BBC remains one of the best-funded public service broadcasters in the world (see chart opposite).<sup>27</sup>
- provide greater freedom to the BBC to manage its budgets – since 2006 the government has chosen to protect a number of areas of spending from the licence fee, but under the next Charter these will all be removed, with the exception of the World Service;
- provide additional support for BBC finances by helping the BBC to address some of the challenges it faces in managing its cost pressures (as agreed at the 2015 Summer Budget), including allowing those aged 75 and over to make voluntary payments if they choose to, while continuing to protect the licence fee concession during this Parliament; and
- enhance the BBC’s independence from government by introducing a new regularised licence fee settlement process once every five years.

#### The BBC is the largest content producer in the UK (companies by revenue, 2014)



Source: Ofcom, Review of the operation of the television production sector, 2015

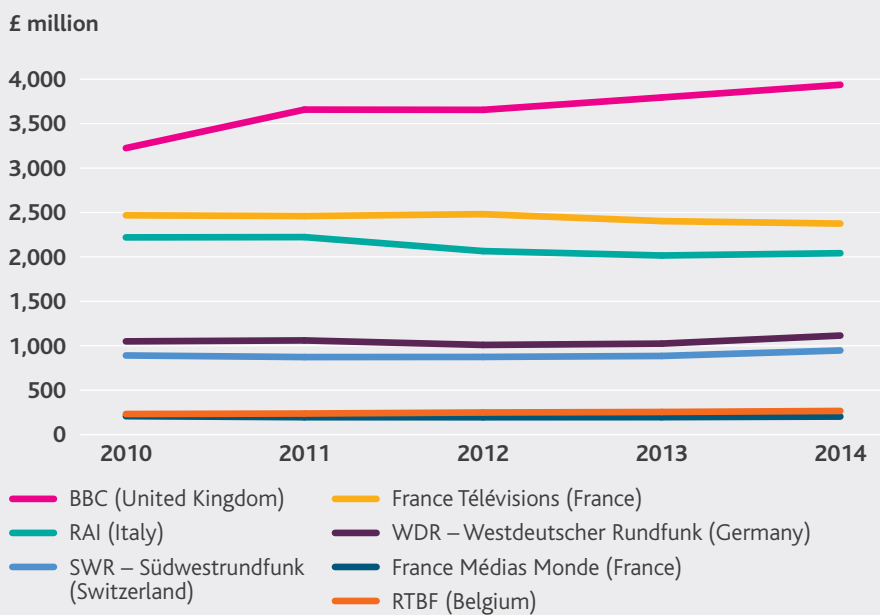
The government will also modernise the current licence fee system to make it fairer. It will:

- close the 'iPlayer loophole' so that those who currently view BBC on-demand programmes only (e.g. on the iPlayer) for free pay the same as those watching or recording it on television as it is shown live;
- introduce more flexible payment plans to help those on lower incomes with paying the licence fee and increase flexibility and convenience for all licence fee payers;

- improve the fairness and effectiveness of the process of investigation and prosecution of licence fee evasion by taking forward recommendations from David Perry QC's review of television licence fee enforcement; and
- enable the BBC to make its content 'portable' so UK licence fee payers can access BBC iPlayer while on holiday in other EU member states.

Given that the licence fee will continue to come under pressure in the coming years in a continually evolving and diverse media environment, the government supports the first moves towards a more sustainable funding model in the longer term. The BBC has committed to consider and explore whether elements of subscription have a role to play alongside the core licence fee model in its future funding, as it aims to develop and test the scope for additional sources of commercial revenue. It will be for the BBC to set the scope of the plans, but the government expects that progress and success will be appropriately reviewed, with further development potentially taking place in the second part of the Charter period, in order to feed into the next Charter Review process.

### The BBC is the best-funded public service broadcaster in Europe



Comparison European public service broadcasters' unconsolidated operating revenue.

Source: The Yearbook of the European Audiovisual Observatory 2015

# 1. Introduction: the BBC is much loved and remains a central part of British society

|   |    |
|---|----|
| The context the BBC is operating in will change dramatically over the next Charter period       | 20 |
| There remains a central role for public service broadcasting in this changed and changing world | 22 |
| Maximising the public value it provides, the BBC will need to adapt further                     | 23 |
| What the BBC does...  | 24 |
| ...And how it compares to others  | 25 |

The BBC plays a unique role in British society; very few national institutions can claim to occupy such a heightened place in the public consciousness and people's affections. It is widely respected for the quality and independence of its news and current affairs, and even in a multi-media age its most popular programmes continue to draw the country together, as with the London Olympics, world-class drama like *War and Peace* and *The Night Manager*, or natural history such as *Life Story*.

At its best, the BBC makes superb programmes and serves a range of audiences, which it is hard to imagine any other broadcaster wanting or being able to do. Many play an important role in promoting citizenship, education and learning, and cultural excellence. Beyond its programming, the BBC contributes to the health of one of the most vibrant creative economies in the world. The creative industry sector grew at twice the rate of the rest of the economy in 2014, with film, television, video, radio and photography alone contributing £10.8 billion to the UK economy.<sup>28</sup> The BBC is therefore part of the social and economic fabric of this country, and a source of great pride. No other country in the world has anything quite like it.

The BBC is widely respected abroad as well as at home. It sets an international benchmark for quality, producing outstanding television, radio and online programmes and services that are exported throughout the world. The World Service is one of the leading sources of international news and BBC services reach 348 million people around the world each week.<sup>29</sup> This helps ensure, along with other internationally respected global UK media brands, that the UK continues to lead the world in terms of soft power, measured for its global influence through its culture, media and education.<sup>30</sup>

There is nothing inevitable about the BBC's success. From humble beginnings as the UK's sole broadcaster in 1922, few would have anticipated the much-loved national institution that many take for granted today – and certainly many other celebrated British brands have failed to survive into their ninth decade. The BBC owes much of its success to its founder Lord Reith and his enduring mission for the organisation to inform, educate and entertain. But it has also had to adapt to remain strong, navigating a series of changing economic, social, political and technological tides. This has led to numerous changes in scale and scope and to governance and funding over the past century: from being the UK's sole broadcaster to providing multiple radio, television and online platforms and services.

This pace of change is accelerating. The last ten years have arguably seen the greatest period of change in broadcasting and telecommunications history, with increasing choice and competition, evolving viewing habits, ever-more diverse audiences, and shifting consumer and citizen expectations all driving change within the industry. The BBC has not been immune from these structural forces, and has had to innovate and reform in response. Its 53 per cent audience market share of the radio market, 33 per cent market share of television audiences, and strong online presence shows that it is still a powerful media force in the UK (see box 4, page 25) despite increased competition.

For all these successes, the BBC has faced questions in recent years, including over its governance, its distinctiveness, the market impact of its more mainstream television, radio and online services, accusations of bias, and concerns about waste and value for money. It has also been hit by a number of high profile scandals. And there is a sizeable minority of people who do not think that the BBC is delivering for them – indeed over 20 per cent report that they would not miss the BBC if it didn't exist.<sup>31</sup> These are all serious issues that the proposals in this white paper will seek to ensure are not replicated over the coming Charter period.

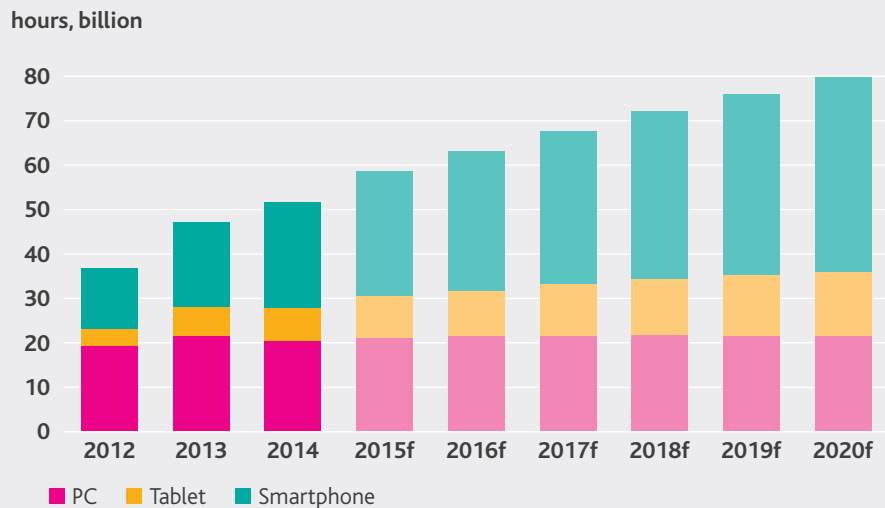
But despite these issues, overall the BBC approaches its centenary in good health, with a strong and widespread reputation for quality. This was borne out in many of our consultation responses: eight out of ten people feel the BBC served audiences well or very well, three quarters of people believe it produces high quality and distinctive content, and an overwhelming majority of the responses want the BBC to remain independent.<sup>32</sup>

### The context the BBC is operating in will change dramatically over the next Charter period

The BBC, like every other broadcaster, is facing what it describes itself as a 'world in transition'.<sup>33</sup> It is difficult to predict the economic, political, social, technological developments and behavioural changes we will see over the coming decade. One of the few things that is certain about the media landscape of the future is that it will look very different from that of today. But five forces may have a profound impact on the BBC and other major players in the UK media market over the coming Charter period.

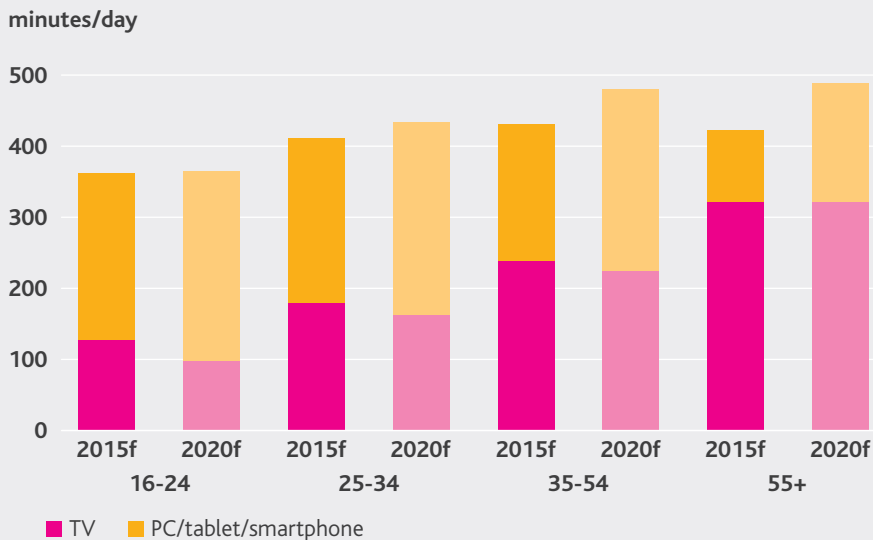
– **Technological change.** Around two thirds of households now have a digital video recorder, take up of connected televisions is growing and almost half of adults now watch on demand catch-up services.<sup>34</sup> The next ten years will see continued changes in technology that will have profound implications for how people consume media. Increasingly, people are enjoying what they want, when they want and on a wider range of platforms than ever before – and may be using technology and services in 2027 that either do not exist or which are only in their infancy now.

**Box 1. Media consumption via mobile will continue to grow**



Excludes offline app and TV-based usage; PC 6+, smartphone/tablet 8+  
Source: Enders Analysis, 2015

**Box 2. People will increasingly access content on devices other than their television**



Excludes offline app usage and non-viewing TV time (e.g. console gaming)  
Source: Enders Analysis, 2015

– **Consolidation, competition and globalisation.** The media market has seen significant consolidation and convergence in recent years. Media companies are increasingly offering 'all media' packages, integrating mobile, broadband and television services. Seven of the ten biggest UK independent production companies, for example, are now integrated with major international broadcasting companies such as Sky Europe, Liberty Global and Universal.<sup>35</sup> But there have also been powerful new entrants such as BT, Amazon, Apple, Google and Netflix, meaning, for consumers, there is more choice than ever before. These trends are likely to continue – and perhaps accelerate – over the next decade, and will clearly have an effect on the market in which the BBC will be operating over the next Charter period.

– **Increased public expectations.** People rightly expect higher standards from public organisations: integrity, openness, a focus on the public interest. One recent report noted: "The public want all providers of public services to adhere to and operate by common ethical standards... for the public, 'how' things are done are as important as 'what' is done".<sup>36</sup> However, although people expect more, they tend to trust less. Another report found that: "trust in institutions is no longer automatically granted on the basis of hierarchy or title. In today's world, that trust must be earned".<sup>37</sup> Although trust in the BBC remains higher than in many institutions,<sup>38</sup> the public rightly expects higher standards from the BBC compared to commercial broadcasters and other media companies and the BBC is going to have to work hard to maintain its privileged position over the coming decade.

– **Demographic change.** The demographic makeup of the UK has changed in a number of respects over the past decade: the overall population has grown, the number and proportion of older people has increased and society has become more diverse overall.<sup>39</sup> The audiences which the BBC is seeking to serve will continue to change, both at home and abroad over the coming Charter period. The BBC is already facing particular challenges, for example in meeting the needs of people from black, Asian and minority ethnic backgrounds, and of younger audiences, who increasingly watch and consume content in markedly different ways to previous generations.<sup>40</sup> Increasing variations exist among the different nations and regions too.<sup>41</sup>

– **Global instability.** The world is facing a range of geopolitical challenges, including instability in the Middle East, and the rise of state sponsored media outlets with large global audiences. Over the course of the next decade there will almost certainly be areas of the world where democratic values such as freedom of speech continue to be suppressed or neglected and when the BBC's reputation for integrity and trust will never be more important.

Each of these drivers brings both opportunities and threats for the BBC. Political change, for example, may increase the value of bringing impartial news to parts of the world that would not otherwise enjoy it. But it may also mean that opportunities for distributing high quality news are curtailed by those seeking to deny their citizens access to such services. Technological change may mean that licence fee payers access the BBC in new ways, offering a degree of personalisation previously not possible. But it may also lead to fragmenting audiences, making it more difficult for the BBC to bring people together. Globalisation can enhance the BBC's ability to earn revenues from its content abroad, lowering demands on the licence fee payer. But it can also mean that the BBC gets disconnected from its core UK public service mission by seeking to "compete" with global players that have a very different set of objectives and incentives. If the BBC responds successfully to these trends it will continue to operate as the world's leading public service broadcaster, delivering high quality programming to millions. If it fails to respond it risks potentially finding itself marginalised in an ever-crowded media world.

### **There remains a central role for public service broadcasting in this changed and changing world**

The government believes there is still a strong and enduring rationale for the BBC continuing into the 21st century, despite – and at times because of – the changes identified above. It is possible to overstate the extent to which the market cannot deliver socially-optimal broadcasting. The private sector can and often does provide high quality broadcasting that rivals the best of the public sector: Sky Arts, HBO and respected international news outlets such as Reuters and theguardian.com are all evidence of this. This raises legitimate questions about the appropriate scale and scope of a BBC funded by a compulsory flat-rate licence fee for those who watch television. But public service broadcasters such as the BBC do still deliver positive effects for society by delivering programming that a free market might under-provide by virtue of not valuing its social benefits, such as:

- extending democratic knowledge through independent news and current affairs;
- helping extend the principles of democracy and free speech abroad;
- inspiring audiences through programmes that expand their horizons in areas such as natural history, science and the arts; and
- addressing the needs of audiences such as minority language groups and children, and delivering other types of broadcasting such as arts and music that may not be provided by commercial providers to the same extent.

In fact, in an increasingly fragmented world the provision of high quality, public service content is arguably more important than ever. For example, the BBC helps the UK and its diverse communities have shared conversations by reflecting a wide range of mainstream voices, which furthers understanding and tolerance.<sup>42</sup>

The BBC has played an important role in these areas and the government expects the BBC to continue to take a leading role through the coming Charter period, consistent with its editorial independence.

The central objective for the next Charter period is therefore to ensure that the BBC can successfully adapt to the changing environment it finds itself in, so that it can maximise the public value it provides for the £3.7 billion of public money it receives each year.



## Maximising the public value it provides, the BBC will need to adapt further

This white paper sets out the five priorities for ensuring the BBC can maximise its public value over the next Charter Review period. It is based on a vision for a strong and independent BBC that is accountable, more distinctive, market sensitive, efficient and transparent, and underpinned by sustainable and secure funding.

### Accountable and well governed

No organisation can succeed without effective governance. There is a wide consensus, including from the BBC Trust itself, that the current structure and nature of the governance and regulation of the BBC has not met expectations and needs to change. The fundamental principle of independence needs to be protected and there needs to be clear accountability, strong management and a regulatory system that holds the BBC to account for delivering against its public purposes and acting in the public interest.

### More distinctive

At its best, the BBC provides high quality content which is distinctive and different from that of other broadcasters. But there is evidence to show it can go further. This will become increasingly important as choice and competition continue to expand and consumer habits evolve. To retain its unique status, the BBC will need to do more to stand apart from the competition, rather than looking to replicate services consumers are already getting elsewhere. This is not to say that the BBC should not be popular – distinctive programmes can have widespread appeal. It is to say that popularity should not be its primary objective; maximising its public value must come first. This will be captured in the new mission and public purposes.

### Greater sensitivity to market impact

The creative industry sector in the UK has flourished in recent decades. But it will face a number of challenges in the years ahead. Given its scale, the behaviour of the BBC is likely to have a significant influence on the future of the UK media market. Recent reforms have helped embed an awareness of market impact amongst BBC management but the BBC needs to move from a mindset of “minimising its negative market impact” to one that proactively seeks to enhance and bolster – and work in partnership with – the wider broadcasting and creative industries. This is not about shaping the BBC in the interests of competitors, but about maximising the net benefit of public funding.

### More efficiency and transparency

The drive for greater efficiency is a discipline that all organisations should aspire to – but when entrusted with almost £4 billion<sup>43</sup> of public money that aspiration becomes a strong obligation. The BBC has made progress over the last Charter period. It is undoubtedly more efficient than ten years ago. But it should not rest on its laurels. The public consistently say that value for money is something they expect the BBC to prioritise and the BBC will lose public confidence if it cannot show that it spends its funds wisely. In a time of constrained public spending the government wants to support and enable the BBC’s drive for greater efficiency – particularly in the way it spends its money in making television and radio content. We will also introduce new measures to make how the BBC spends its money more transparent.

### Sustainable and secure funding

It is vital that the BBC has a sustainable funding model, fit for the next decade. The licence fee, despite some drawbacks, is the best way of funding the BBC for the next Charter period. However, the licence fee needs to be fairer and easier to pay for those on lower incomes and for all licence fee payers. The licence fee will rise with inflation over five years from 2017/18 and this will provide the BBC with the funding it needs to thrive and deliver against its updated mission and purposes. The BBC must, however, continue to deliver value for the licence fee payer.

# What the BBC does...

## National services

### Television

Eight channels available via digital television, live online via channel websites and as video-on-demand via BBC iPlayer.



### Online



### Radio

Ten national radio stations, national radio stations for listeners in Wales, Scotland and Northern Ireland, plus local radio stations throughout England, available via analogue and digital radio, digital television, online via BBC iPlayer Radio on-demand.



## Nations and regions services

Production centres across the country make television and radio programmes for local audiences and the wider network.



## International services

Internationally focused services available across the world, both publicly funded and commercial.

### Licence Fee funded



Radio, television, and online.



News, information and comment gathered from mass media around the world.

### Commercially funded



24 hours a day international news and information television channel.



The BBC's international website for a global audience.

## Commercial services

Profits from the BBC's commercial services help support its public service mission.



BBC's main commercial arm; investing in, commercialising and showcasing content from the BBC around the world.

### BBC INTERNATIONAL

Supplies television facilities to overseas broadcasters transmitting from the UK.



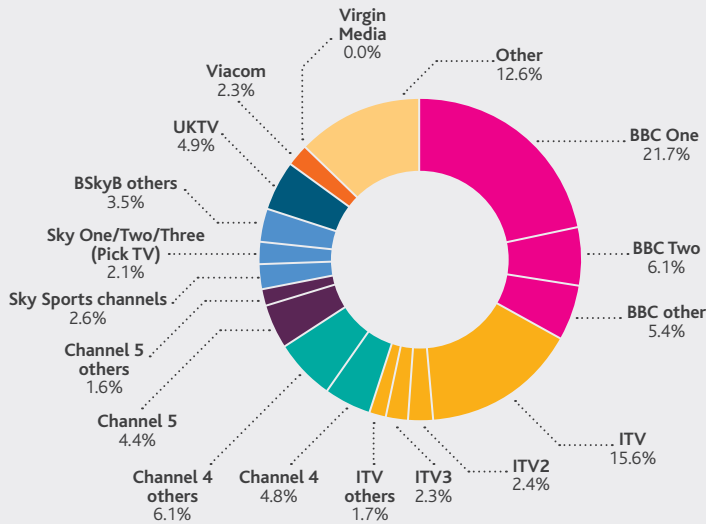
Largest television studios and post facilities provider in the UK.

### BBC Store

BBC Store is a multi-channel retailer selling thousands of books, DVDs, audiobooks and toys for fans of our programmes. BBC Store sells products online, by phone and post.

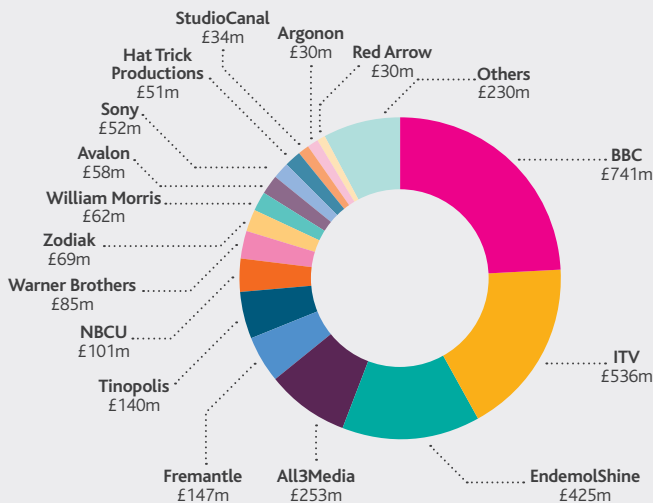
## ...And how it compares to others

**Box 4. The BBC is the biggest television provider in the UK**  
(viewing share of channel groups in all UK homes, 2014)



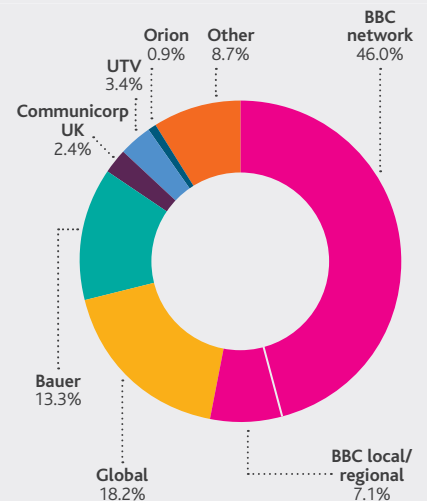
Source: Communications Market Report 2015

**Box 5. The BBC is the largest content producer in the UK**  
(companies by revenue, 2014)



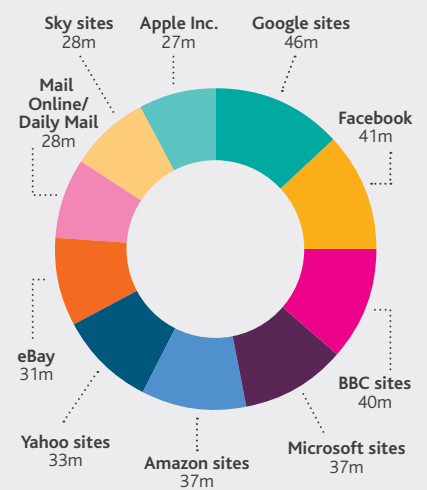
Source: Ofcom, Review of the operation of the television production sector, 2015

**Box 6. The BBC is the largest radio operator in the UK**  
(share of all radio listening hours, Q1 2015)



Source: Ofcom, The Communications Market Report 2015, based on RAJAR, all adults (15+), 12 months to Q1 2015. Base: National Total Survey Area

**Box 7. The BBC is the third most popular online service**  
(top ten most popular internet websites visited on a property level, March 2015)<sup>44</sup>



Source: Ofcom, The Communications Market Report 2015, based on comScore MMX-MP, UK, March 2015

# 2. Prioritising distinctiveness and serving all audiences

|   |    |
|---|----|
| Giving the BBC a mission to inform, educate and entertain distinctively   | 28 |
| Reforming the public purposes   | 30 |
| Defining and evidencing distinctiveness                                   | 31 |
| Achieving greater distinctiveness at service level                        | 37 |
| Prioritising funding and protecting the World Service                     | 39 |
| Meeting the growing challenge of serving all audiences                    | 40 |
| Improving provision for Black, Asian and Minority Ethnic (BAME) audiences | 40 |
| Improving provision for nations and regions                               | 42 |

The BBC rightly strives to be innovative, ambitious, inspirational and bold. These are some of the things that we most admire and value in the BBC. It can push boundaries and take creative risks because, in its own words, it has “the privilege of being able to make good programmes without also having to consider whether they will make a profit”.<sup>45</sup>

Ensuring the BBC is sufficiently distinctive – discernibly different in approach, quality and content to commercial providers – is a central objective of this Charter Review. A distinctive BBC is a powerful tool; expanding our knowledge, experience and imagination, bringing the country together in shared experiences and supporting our national culture and public life.

The notion of a distinctive BBC is not new. The last Charter Review in 2006 concluded that “the BBC’s content should offer something distinct from other broadcasters”; and the BBC has worked over the last Charter to try to meet these expectations.<sup>46</sup> Research conducted for the BBC Trust found that 73 per cent of the public thought that the BBC’s content was high quality, and 60 per cent agreed that it was distinctive.<sup>47</sup> An even higher proportion of those responding to our consultation agreed.<sup>48</sup> Yet in recent nationally representative quantitative polling commissioned by the government, only 38 per cent thought that “the BBC makes lots of television programmes that no other broadcaster could make” and only 27 per cent agreed that the BBC “makes lots of programmes which are more daring or innovative than those made by other broadcasters” (see box 8).<sup>49</sup>

**80%**

80% of the public think BBC distinctiveness is important

Source: BBC Trust Consultation Response, October 2015

“

Our aim... is to create a BBC that is more distinctive than ever – and clearly distinguishable from the market.

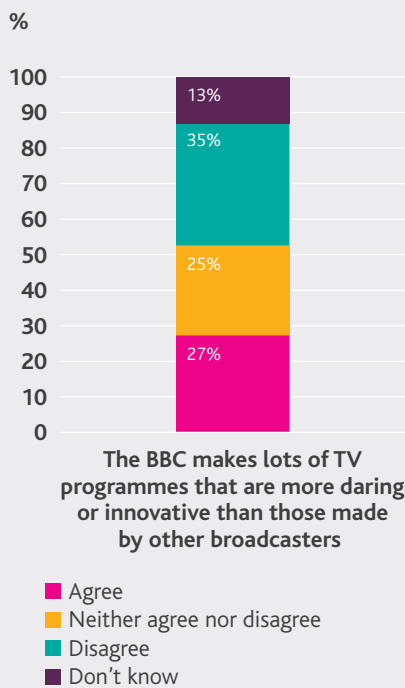
Lord Hall, Director-General<sup>50</sup>

The detailed independent study on the BBC’s impact on the market commissioned by government also supported the view that the BBC needs to be more distinctive, particularly on its more mainstream services, such as BBC One and Two, Radio 1, Radio 2, Radio 5 Live, and BBC Online.<sup>51</sup> Recent reviews by the BBC Trust reached some similar conclusions.<sup>52</sup> The government therefore strongly welcomes the vision expressed by the current Director-General to make the BBC more distinctive than ever.<sup>53</sup>

This is not an argument that the BBC should cease to be popular. The BBC can only be successful if it continues to reach and provide public value to all nations, regions and communities in the UK. The BBC has demonstrated time and again that it can be both popular and distinctive. It would be hard to imagine other broadcasters making the same volume and variety of high-quality public service programmes such as *The Great British Bake Off*, *Wolf Hall*, *Planet Earth*, *Doctor Who* and *The Archers*. These programmes are loved all across the UK.

This is, however, an argument that popularity itself must not be the primary measure of success for the BBC. We expect much more from our BBC than that. Commissioning editors should ask first and foremost “is this programme sufficiently innovative and high quality?” and not “where will this feature in the ratings figures in the next week or month?”.

**Box 8. Public views on distinctiveness**



Base: all respondents in Wave 1 (2,093)

Source: GfK Social Research, Research to explore public views about the BBC, May 2016



I think if the BBC has one issue that I wish it would deal with, it is that it pays too much attention to ratings. I must say I thought that the first day I walked through the door and I thought it more the last day I walked through the door, in the outward direction.

Gavyn Davies, former Chairman of the BBC, February 2014<sup>54</sup>

The government wants to ensure the BBC retains its unique status and continues to thrive. To continue to be successful in the future, and to merit its special privileges and substantial public funding, the BBC needs to stand apart from other broadcasters, distinguishing itself from the market. This will become increasingly important as choice and competition continue to proliferate, viewing habits evolve, audiences fragment, and consumer and citizen expectations expand. The government will therefore:

- embed distinctiveness in the BBC’s overall mission;
- reform the public purposes making them more clearly defined and emphasising key elements such as distinctiveness, impartiality and diversity;
- require the BBC to provide more distinctive services through strengthening the existing content requirements at service level on television, radio and online;
- protect the World Service – arguably the BBC’s most unique and distinctive service; and
- require the BBC to meet the growing challenge of serving all audiences.

**Giving the BBC a mission to inform, educate and entertain distinctively**

Lord Reith, the first Director-General of the BBC, put informing, educating and entertaining at the heart of the BBC’s mission. This has remained part of the DNA of the BBC to this day and BBC Trust research indicates that there is strong support for it to remain.<sup>55</sup>

The government is therefore clear that the core of the BBC’s mission, to “inform, educate and entertain” should endure.



We want the BBC in the next decade to be the place people come to make brilliant programmes, programmes of distinction. For producers, directors, writers, artists to have the creative freedom to do things they would find it hard to do elsewhere.

British, Bold, Creative, The BBC’s Programmes and Services in the next Charter, October 2015<sup>56</sup>

The next Charter does, however, provide the opportunity to more fully explain what we expect from the BBC, by expanding the existing mission. Government will therefore:

– **Add an explicit requirement to be distinctive, high quality and impartial.** Many, if not all, broadcasters seek to some extent to inform, educate and entertain, and it is hard to imagine a programme that didn't seek to achieve one of these aims. But what sets the BBC apart from others is the consistent high standard and quality expected by its audiences, the impartiality that is core to its role of informing and educating, and the degree to which its content should be clearly distinguishable from that of other broadcasters. The public support this view. A clear majority of those polled for the public opinion study commissioned by the government said that the balance of the BBC's overall content should be distinctive and different from other broadcasters<sup>57</sup> and the Trust's research showed that high quality and impartiality were considered to be amongst the most important values for the BBC.<sup>58</sup>

– **Recognise the core underlying need for the BBC to promote the public interest.** This is set out in the current Charter, but there is also merit in making explicit in the mission the ultimate responsibility of the BBC to act in the public interest. This is about ensuring that while the BBC must serve licence fee payers, it should do so taking a wide and balanced view of its direct and indirect economic, social and cultural impacts. It must seek to do what adds most public value in a diverse, competitive, and pluralistic environment, where viewers and listeners have an increasing choice of media content and providers.

– **Include a requirement to serve all audiences.** This is not merely about making content available on different platforms, although this is important. Nor does it mean maximising audience share and ratings, meeting an overall 'reach' figure each week, or increasing the amount of BBC content consumed for its own sake. Serving all audiences means making sure that the BBC is for the diverse communities across the UK and that every demographic group is being served by the BBC to some extent. Being "served" means not just consuming content, but getting value from the BBC and so benefiting indirectly from its public mission.

All of these elements will therefore be enshrined in the BBC's mission in the next Charter to encourage the BBC to create new and innovative content which breaks boundaries, sets new standards, and serves all audiences.

### New mission:

**To act in the public interest, serving all audiences with impartial, high-quality and distinctive media content and services that inform, educate and entertain.**

## Reforming the public purposes

The last Charter established six broad 'public purposes' (see box 9). These provide a framework for what the BBC should be seeking to achieve beneath its mission, helping direct the activities of the BBC and enabling others to hold it to account. The introduction of purposes has been widely regarded as a positive innovation. Of those few respondents that addressed the issue in the government's consultation, the majority felt they should be retained, either in their current form or with some changes.<sup>59</sup>

### Box 9. Current public purposes

- sustaining citizenship and civil society;
- promoting education and learning;
- representing the UK, its nations, regions and communities;
- stimulating creativity and cultural excellence;
- bringing the UK to the world and the world to the UK; and
- in promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television.

The government therefore intends to retain the approach of public purposes but will reform them to incorporate some constructive improvements that were raised through the government's and the BBC Trust's consultations, reflecting the key areas of reform that the public, the BBC, and other stakeholders have called for. Revised public purposes are set out in box 10, which make a number of changes:

- **clarify the language** particularly in relation to news, creativity and its international role (purposes one, four and five);
- **emphasise the key factors that are central to the mission of the BBC**; its impartial news and current affairs, its distinctive creative output, and its need to serve diverse communities;
- **simplify the purposes** with the removal of the current sixth purpose. While the BBC has an important role in technology (as set out further in Chapter 5) which will be reflected in the Charter, this is not the core of its role; and
- **include greater detail**, to make it clear to any reader what is expected of the BBC. These new purposes will be connected with the wider governance and regulatory framework, set out in Chapter 3. This follows the approach of the current Charter, with the purposes setting the objectives that all BBC activity should be working towards.



The Trust believes that clarification and simplification of the BBC's current public purposes would be helpful and proposes some revisions that are the result of extensive consultation and testing with the public. These should set out clearly what the BBC is there to achieve. We also propose a measurement framework so that the impact of performance against those purposes can be monitored.

BBC Trust response to government consultation<sup>60</sup>

In addition to these revised purposes, the new Charter will recognise the BBC's important role in encouraging the growth and success of the UK's creative industries. It will set out how, in delivering its public purposes, the BBC will be expected to work with the UK's creative industries through partnerships, developing skills and supporting training. In delivering its public purposes, the new Charter will also recognise the importance of the BBC working in partnership with others to promote technological innovation, knowledge sharing and continuing its leading role in research and development.



### Box 10. New public purposes



#### **Providing impartial news and information to help people understand and engage with the world around them**

The BBC should provide accurate and impartial news and current affairs to build people's understanding of all parts of the UK and of the wider world. Its content should be provided to the highest editorial standards. It should offer a range and depth of analysis and content not widely available from other UK news providers, using the highest calibre presenters and journalists, and championing freedom of expression, so that all audiences can engage fully with major UK and global issues and participate in the democratic process as active and informed citizens.



#### **Supporting learning for people of all ages**

The BBC should help everyone learn about different subjects in ways they will find accessible, engaging, inspiring and challenging. The BBC should provide specialist educational content to help support learning for children and teenagers across the UK. It should encourage people to explore new subjects and participate in new activities through partnerships with educational, sporting and cultural institutions.



#### **Showing the most creative, highest quality and distinctive content**

The BBC should provide high quality output in many different genres and across a range of platforms which sets the standard in the UK and internationally. Its services should be distinctive from those provided elsewhere and should take creative risks, even if not all succeed, in order to develop fresh approaches and innovative content.



#### **Reflecting, representing and serving the diverse communities of all the UK's nations and regions**

The BBC should reflect the diversity of the UK both in its content and as an organisation. In doing so, the BBC should accurately and authentically represent and portray the lives of people across the UK, and raise awareness of the different cultures and alternative viewpoints that make up its society. It should ensure that it provides content and services that meet the needs of the UK's nations, regions and communities. It should bring people together for shared experiences and help contribute to the social wellbeing of the UK.



#### **Reflecting the UK, its culture and values to the world**

The BBC should provide high-quality news coverage to international audiences, firmly based on British values of accuracy, impartiality, and fairness. Its international services should put the UK in a world context, aiding understanding of all parts of the UK. It should ensure that it produces content which will be enjoyed by people in the UK and globally.

### Defining and evidencing distinctiveness

Embedding distinctiveness within the mission and purposes of the BBC is intended to put distinctiveness at the core of the BBC's culture, freeing its outstanding creative talent to take creative risks and push the boundaries of quality programming, and making sure its output as a whole will be distinct from the market. But it will also be important to ensure that the Charter helps the BBC to make sure each and every individual service is sufficiently distinctive.

#### **Box 11. Roundtable events with the creative sector**

As part of the Charter Review process, government arranged a set of roundtable events with representatives from the creative sector. In this forum, the need for the BBC to take more risks was a common theme,<sup>61</sup> reflecting the Director-General's view that the BBC "must be more prepared than ever to take risks".<sup>62</sup> There was a general view that the BBC is in some ways less risk-taking than in the past, and that it is no longer seen to have the licence to take risks which recognises that sometimes they will fail. Under the new Charter, with a greater focus on distinctiveness, the BBC will be given back that permission and the BBC will have the editorial and operational independence it needs for its creative talent to try, fail and succeed.

### Box 12. A definition of distinctiveness

There is wide agreement that the BBC should be distinctive. What is less clear is how exactly this should be defined. At one end of the spectrum a narrow definition can be drawn, where each and every programme on the BBC must be entirely unlike any other provider. The other extreme would allow a whole service to be called distinctive by virtue of a single factor, such as its mix of genres. The right balance is between these two extremes.

A description that captures the spirit of distinctiveness well comes from a former BBC Chairman who, in setting out his vision for the BBC, said:

“It means to inform, educate and entertain – and do it in a way that’s original, distinctive, ambitious, ground-breaking, risk-taking, memorable, innovative, informative, stretching, inspirational. It means programmes that challenge, that open our eyes, and that bring delight. It means setting the gold standard for every genre of content from news and current affairs to drama, comedy and yes, quiz games and everything in between. And doing it across television, radio, and online.

What it does not mean is patronising, derivative, formulaic commodity programming that may deliver value to shareholders or advertisers but can leave audiences short-changed.”<sup>63</sup>

For the purposes of the next Charter a more formal definition is needed. Building on the BBC’s own definition, distinctiveness will be defined as:

“A requirement that the BBC should be substantially different to other providers across each and every service, both in prime time and overall, and on television, radio and online, in terms of:

- the mix of different genres, programmes and content;
- the quality of output;
- the amount of original UK programming;
- the level of risk-taking, innovation, challenge and creative ambition; and
- the range of audiences it serves.”

At its best, the BBC already provides distinctive content within each of its services. Radio 1Xtra, Radio 3, Radio 4, Radio 6, BBC Local and Nations Radio, the BBC Asian Network and BBC Four, for example, are quite clearly distinct from commercial competitors. Even on the BBC’s more popular services such as BBC One, BBC Two, Radio 1, Radio 2, Radio 5 Live and its online services there is much that is distinctive. But in these areas the evidence is more mixed.

#### Television

There are a number of highly distinctive programmes on BBC One, which is the home to some of the most loved BBC content, from world class drama such as *War and Peace*, to making ballroom dancing a spectator sport for families with *Strictly Come Dancing*, to holding current affairs debates around the country each week with *Question Time*. BBC One’s genre mix is different to ITV; for example, factual programming makes up 26 per cent of BBC One’s genre mix in peak time compared to 11 per cent for ITV.<sup>64</sup> Its acquisitions and repeats have decreased in recent years, with hours of repeats in peak time on BBC One falling from 138 to 78 between 2010/11 and 2014/15.<sup>65</sup> Some key quality ratings have also improved such as the BBC One ‘Fresh and New’ scores which have gone up to 72 per cent in the latest results.<sup>66</sup>

However, there is evidence that BBC One could have greater levels of creative ambition in its programming, while staying true to its overall positioning as a more mainstream TV channel. This is of particular significance given the service accounts for by far the largest proportion of spend of any BBC service. In particular:

- the BBC Trust argued in both 2010 and 2014 that BBC One needed to be more distinctive, with the 2014 report noting that some viewers find the channel “over reliant on familiar programmes and believe it has a tendency to ‘play safe’ in programming and scheduling”. It also noted that “nearly two-thirds of the pre-watershed weekday schedule is composed of a small number of long-established programmes, shown year round”;<sup>67</sup>
- the government’s market impact study suggested that BBC One’s schedule has become less innovative and risk-taking over the past 10-15 years, noting a decline in new titles, bottoming out in 2010, and a static daytime schedule highly reliant on long-running property and collectables programming: *Homes Under the Hammer* in its 20th series, *Bargain Hunt* in its 43rd series, and *Escape to the Country* in its 16th series;<sup>68</sup>

- there has been a decline in volumes in certain public service genres in peak time (although this may to some extent reflect more investment in fewer hours of these genres rather than a reduced overall commitment).<sup>69</sup> For example, hours of comedy and arts and music programming in peak time on BBC One reduced by 11 per cent and 35 per cent respectively between 2010 and 2014.<sup>70</sup> This is within the context of wider concern about provision of certain types of programming raised in Ofcom’s 2015 Public Service Broadcasting Review.<sup>71</sup> The BBC Trust’s audience research in support of its 2014 review of services report found that for some audiences in particular magazine style factual programmes are seen as ‘patronising’ or ‘dumbed down’ and are regarded as ‘cheap programming’;<sup>72</sup> and
- public polling shows that 43 per cent agree “BBC One and ITV 1 are quite similar apart from the adverts”.<sup>73</sup>

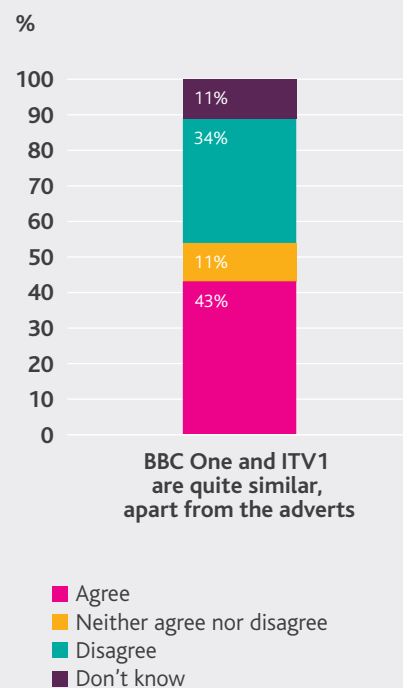
In terms of BBC Two, the BBC Trust found many things to praise in its 2014 report<sup>74</sup> and the distinctiveness appears to have been enhanced in recent years on some metrics.<sup>75</sup> But it has also seen a decline in certain genres between 2010 and 2014, with current affairs and music and arts in peak time declining by 26 per cent and 18 per cent respectively, whilst entertainment increased by 15 per cent in the same period.<sup>76</sup>



Some viewers do not find BBC One sufficiently distinctive in some important ways and we believe it is possible to continue to serve loyal audiences well while taking more creative risks in programming and scheduling choices.

BBC Trust, Service Review of BBC One, Two, Three and Four, July 2014<sup>77</sup>

**Box 13. BBC One could be more distinct**



Percentages shown in figure sum to less than 100% because of rounding

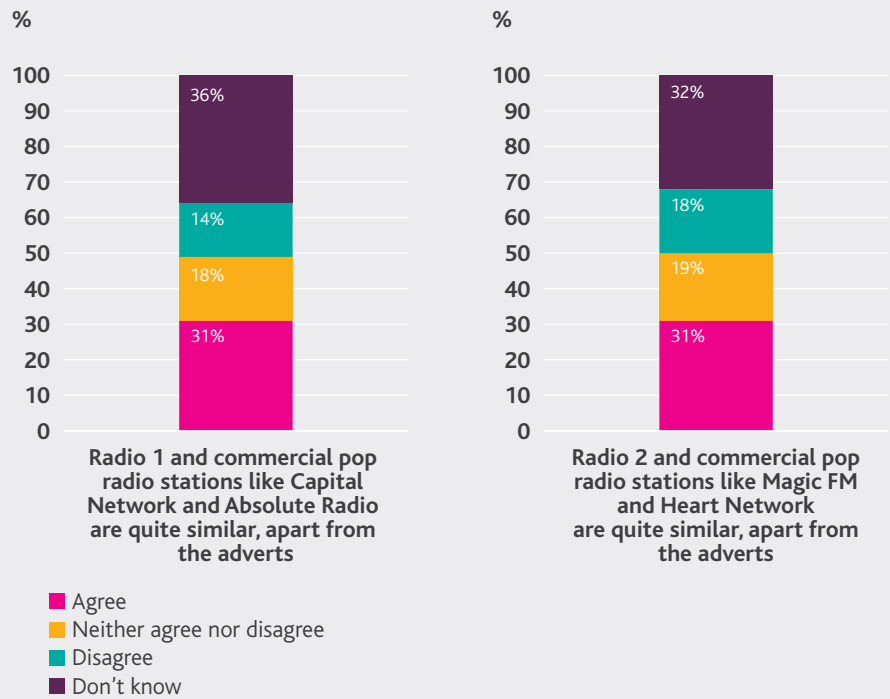
Base: all respondents in Wave 1 (2,093)

Source: GfK Social Research, Research to explore public views about the BBC, May 2016

**Box 14. BBC commitment to UK film**

As part of its commitment to distinctiveness, the BBC should continue to showcase British film and ensure that its film strategy links both film production with exhibition and coverage of British film on television and online. The BBC is one of the three major public investors of film in the UK. Every year BBC Films invests around £10 million in film development and production, supporting around eight feature films.<sup>78</sup> The BBC also represents a huge opportunity for British film-makers and new talent in getting their films seen by UK audiences. In developing a new film strategy and thinking about how it can enhance the distinctiveness of its output the BBC should articulate how it can maximise the impact both of its role as an investor in, and an exhibitor of, UK films. Given the increased convergence between film and television, this should include further consideration of the role of BBC Worldwide in promoting British film, as recommended in the 2014 Film Policy Review.<sup>79</sup>

**Box 15. Radio 1 and 2 could be more distinct**



Percentages shown in figure sum to less than 100% because of rounding

Base: all respondents in Wave 1 (2,093)

Source: GfK Social Research, Research to explore public views about the BBC, May 2016

**Radio**

The BBC's most mainstream radio services, Radio 1 and Radio 2, are the most popular music radio stations in the UK.<sup>80</sup> They play an important role in the BBC's public service offering, particularly in support of home-grown talent in the music industry. Many acts gained their breakthrough on BBC radio, for example Adele, Sam Smith and Coldplay all received their first track plays on Radio 1. Both Radio 1 and Radio 2 have broader playlists than their commercial rivals and a range of specialist music shows and live sessions. They deliver further public value through content that informs and educates.

On Radio 1 this includes the extended *Newsbeat* programme, *The Surgery with Gemma and Dr Radha*, the Teen Hero Awards and the recent coverage of refugees in Jordan on the *Greg James Show*. On Radio 2, this includes the *Jeremy Vine Show* and the popular *500 Words Competition*.

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However, as with BBC One, there is evidence that there could be even greater levels of ambition to enrich the market and maximise the public value these stations can offer, while still remaining channels of broad public appeal. For example:

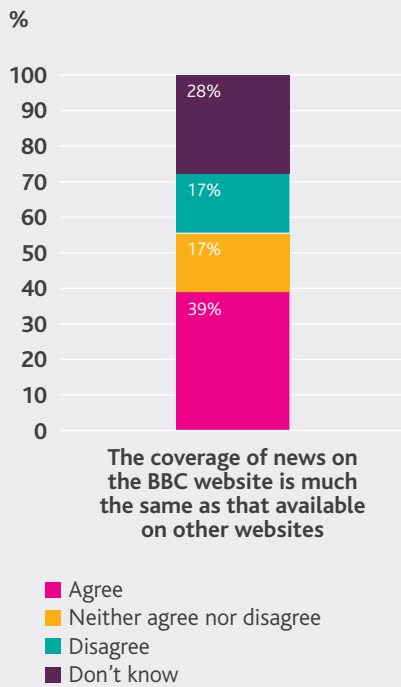
– while the BBC provide a figure of just 3 and 13 per cent for Radio 1 and Radio 2 respectively for playlist overlap with their nearest commercial competitors,<sup>81</sup> the average daytime listener will experience a much higher degree of overlap than this might suggest.<sup>82</sup> This is because the BBC's figures do not take into account the number of times a track is played, with more popular tracks often played more regularly. For example, Radio 1 can play the same track around 100 times in a given month, with a "long tail" of tracks played just once or twice.<sup>83</sup> The BBC should play a mix of popular tracks alongside new and less well known music to ensure that these tracks reach large audiences, but a balance is needed to ensure it is sufficiently distinctive;

– both Radio 1 and Radio 2 currently have relatively modest public service requirements (for example, two social action campaigns per year on Radio 1<sup>84</sup> and over 100 hours per year of arts programming on Radio 2).<sup>85</sup> This content is often pushed to the margins of the schedule: Radio 1 documentaries, for example, tend to be aired late in the evening outside of peak time, meaning much of the "talk time" during peak hours is similar to that found on commercial stations;<sup>86</sup> and

– nearly a third of respondents to the nationally representative polling (31 per cent) agreed that BBC Radio 1 and commercial pop radio stations like Capital Network and Absolute Radio are "quite similar" apart from the adverts and only 14 per cent disagreed (see box 15). This view was held most strongly among Radio 1's target demographic of the under-25s, of whom 42 per cent agreed. For Radio 2 only 18 per cent disagreed that it was "quite similar" to commercial pop radio stations like Magic FM and Heart Network apart from the adverts, with 31 per cent agreeing.<sup>87</sup>

In addition, some concerns were raised through the BBC's consultation that Radio 5 Live focuses too greatly on the most popular sports, especially football, rather than covering a wider range. It was also noted that exclusivity arrangements can prevent other broadcasters offering alternative or additional coverage that would increase choice for radio listeners. The government's market impact study also noted the perception of Radio 5 Live as a sports station rather than sports and news.<sup>88</sup>

**Box 16. The BBC website could be more distinct**



Percentages shown in figure sum to more than 100% because of rounding

Base: all respondents in Wave 1 (2,093)

Source: GfK Social Research, Research to explore public views about the BBC, May 2016

**Online**

BBC Online is the third most viewed online service in the UK, behind Facebook and Google, but far ahead of any other UK news outlet.<sup>89</sup> The BBC’s online news has a far higher trustworthiness rating than other providers.<sup>90</sup> However, in respect of the BBC’s online provision, some stakeholders have raised concerns that the BBC provides ‘soft news’ and ‘magazine’ style content that replicates what is provided elsewhere and which contributes little to its public service mission. It is difficult to quantify the extent of this issue given the lack of data in this area, and the potential for blurred lines between what constitutes ‘news’ as opposed to ‘soft news’. But the market impact report for government also reflected these concerns, saying that, while the provision of soft news is relatively small, the BBC’s online offering would benefit from being more distinctive, particularly given the size of its readership. It suggested that distinctiveness in the online sector would mean a “shift in the positioning of the BBC’s online news and information services away from ‘softer’ news stories and towards more in-depth analysis and explanation”.<sup>91</sup> Given the predicted growth in online traffic over the course of the next Charter period it will be particularly important to ensure sufficient distinctiveness of BBC services here.

The government therefore welcomes the BBC’s plans to make its online offering more distinctive and to reduce its new magazine-style content. While the BBC will maintain a full range of subjects and stories, its focus will be on rigorous, impartial analysis of important news events and current affairs. Online content does not easily lend itself to the kind of quotas that currently exist for television and Radio and as such it has relatively few licence obligations, but with the move towards increased online provision, this will need to be kept under review.

The government’s market impact study concluded that greater distinctiveness of the BBC’s mainstream services could have not just a positive impact for the commercial market providers of up to £115 million per year by the end of the next Charter, but also an overall positive net market impact.<sup>92</sup> The report suggests that if the BBC competed a little less for audiences through content which is already provided by the commercial sector and instead focused a little more on high public value programmes which people enjoy, everyone would be better off, and the BBC would maintain levels of market share and – crucially – would remain popular across television, radio and online, serving all audiences.<sup>93</sup> People would have more choice across different genres while allowing the wider sector to grow and encouraging the growth of the UK creative industries.

Box 17: Examples of current requirements by service

BBC  
RADIO

1



60 hrs

at least 60 hours of specialist music each week



40%

at least 40 per cent of music in daytime is from UK acts each year



45%

at least 45 per cent of the music in daytime is new each year



10

at least ten festivals and significant live events in the UK and abroad covered each year

BBC  
one



1,380 hrs

at least 1,380 hours of national and international news each year



40 hrs

at least 40 hours of current affairs in peak each year



40 hrs

at least 40 hours of music and arts programmes each year

Source: BBC Service Licences

“

I want a system that holds our feet firmly to the fire on distinctiveness. That's why I welcome an external regulator reviewing the delivery of the BBC's remit.

Lord Hall, BBC Director-General, November 2015<sup>94</sup>

The BBC's new regulator, Ofcom (explained in Chapter 3), will also have an important role in assessing the board's performance in delivering a more distinctive BBC. As the experience of the BBC Trust shows this will necessarily involve a degree of judgement. But to support Ofcom's delivery of this role and to ensure a clear framework of expectations for the BBC board the new Charter will retain and strengthen the existing system of content requirements (see box 17).

The BBC is already exceeding many of its existing requirements, an achievement for which it should rightly be proud. It has also made some modest proposals about how these requirements could be reformed.<sup>95</sup> The government welcomes the BBC's recognition that obligations in relation to distinctiveness will be needed, but wants to set a bigger ambition.

**Achieving greater distinctiveness at service level**

The new BBC board (explained in Chapter 3) will be central to driving the BBC to deliver more distinctive mainstream services on television radio and online, for embedding a culture of innovation, encouraging risk-taking and supporting creative ambition amongst the strong creative talent at the BBC. To do this, commissioning editors will need to feel empowered to make creative choices and take risks. In taking risks, success can never be guaranteed.

This is necessarily part of the process for creating distinctive content. This will not be simple to achieve, particularly in television where next day ratings can receive substantial attention. Commissioners throughout the BBC therefore need to feel confident that if in taking these risks there are times when ratings dip as a result, this is not a sign of failure.

To achieve this:

- there will be a presumption against removing any of the current requirements, which would result in a weakening of the distinctiveness of the BBC;
- consideration will be given to whether any additional requirements are needed, for example the BBC has proposed to introduce a commitment to new UK music on Radio 1 and 2 in daytime;<sup>96</sup>
- the level at which these new requirements are set will consider the BBC’s existing performance in setting a new baseline to ensure that they are meaningful. For example, BBC One and BBC Two broadcast 621 hours of current affairs programming in 2014/15, 70 per cent higher than their quota of 365 hours;<sup>97</sup>
- in some select areas with a strong public interest, higher levels will be considered, for example the BBC has suggested extending the social action activity on Radio 1 to four campaigns a year in daytime;
- there will also be a focus on peak time programming, so that valued public service content is more directed towards periods of the day when the greatest number can benefit; and
- in addition to these content requirements, it will be important to have a wider framework of performance metrics that will help to inform any assessment of the BBC’s performance over time.

The case for clearer average age targets for the more mainstream radio services will also be considered further to ensure the BBC is serving distinct audiences. Further details on the process for establishing these new requirements and metrics are set out in Chapter 3.

**Box 18. Examples of potential reforms to content requirements**



**Radio**



A clearer division of peak and off peak requirements so that content of greatest public value reaches large numbers.



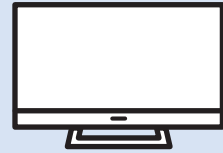
A greater focus on breaking new UK acts and playlists unlike other broadcasters.



An increase in some of the existing requirements relating to news, information, current affairs and social action issues on mainstream services.



Broader sports coverage – that also support sports which currently receive less coverage.



**Television**



Greater coverage of public service genres – Ofcom has identified that some key genres are in general decline and there are other categories where the BBC could, potentially, deliver more such as arts, religion, current affairs and children’s programming.



Commissioning more unique titles in peak and non-peak – increasing the volume of new programming on BBC One, to stimulate creativity and innovation and ensure a “fresh” look and feel to the core programming schedule.



Fewer high-output long-term titles. There are many long-term titles that the BBC runs that are hugely popular; it would therefore be inappropriate to introduce artificial caps to average run of titles. But in light of the heavy reliance on long-run series (as noted above) there is the potential to reduce reliance on long-term titles both in peak and off peak.



**Box 19. BBC content spend on services**

Television

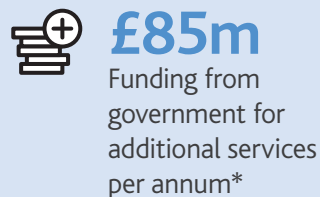


Radio



Source: BBC, Annual Report and Accounts 2014/15

**Box 20. World Service future funding**



\*2016/17: £34m, 2017/18-2019/20: £85m per annum

The government will therefore ensure that the BBC protects licence fee funding for the World Service at its current level of £254 million per annum.<sup>101</sup>

The BBC will also receive additional funding from the government for the World Service of £34 million in 2016/17 and £85 million a year in the three subsequent years, a significant proportion of which will be Official Development Assistance. As a provider of accurate, impartial and independent news the BBC World Service helps to strengthen democratic accountability and governance, and promote Britain and our values around the world.

The languages in which the World Service operates, and the objectives, priorities and targets of the World Service will continue to be agreed with the Foreign Secretary.

**Prioritising funding and protecting the World Service**

The decisions that the BBC makes in allocating funding between services will have important consequences for the overall distinctiveness of the BBC. In radio, budgets have a broad spread across the wide range of services. This is not the case in television where BBC One receives a far greater concentration of funding (see box 19). While of course the BBC needs to invest in its flagship services, the BBC board will need to give careful consideration to its service-level funding decisions.

Matching investment to the strategic priorities for the BBC is generally a matter for the BBC board. But there is one area so critical to the public interest role of the BBC that it is appropriate for the Charter to be more directive. The World Service is one of the BBC's most distinctive services. It is hugely valued by audiences<sup>98</sup> and a vital part of the UK's ability to lead the world in terms of soft power and influence,<sup>99</sup> with its reach and reputation helping to project UK's cultural and democratic values to more than 246 million people worldwide.<sup>100</sup>

BBC World News is the prime means by which the BBC distributes its television news and current affairs programmes to international audiences. But it does not have the same reputation for quality as the World Service – which is renowned for its radio output. This is in part a question of funding: BBC Global News, the commercial subsidiary that operates the service, had revenues in 2014/15 of just £94 million, less than 10 per cent of the revenues of BBC Worldwide, and a staff of just 120. The BBC must ensure that all its prominent international services have a reputation for delivering high quality, distinctive output. The new unitary board should therefore consider what reforms are needed to improve the quality of BBC World News.

### Meeting the growing challenge of serving all audiences

The BBC has an important role in reflecting and serving the full range of diverse communities within the UK, including in terms of age, gender, sexual orientation, religion, disability, ethnicity, nation and region. When considering how well these different audiences are served the evidence can give conflicting results, depending in part upon the metric chosen. Young people, for example, on average use BBC services less than older people but often report equivalent satisfaction levels. But there are at least two areas where a broad range of evidence shows the BBC needs to reform, and which the government would like to see addressed in the coming Charter period: to better serve black, asian and minority ethnic audiences and people in the nations and regions.

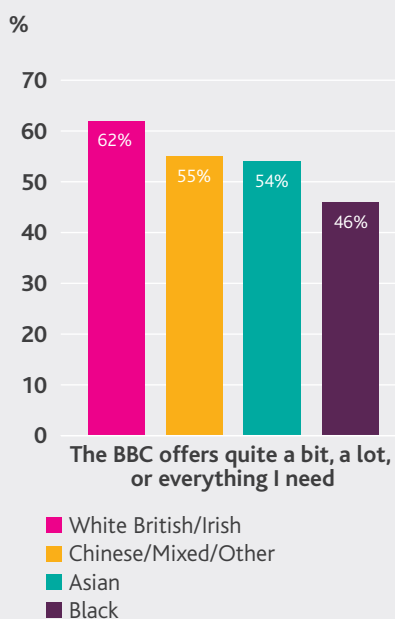
#### Box 21. The BBC can improve its performance in representing different ethnic groups



Base: all respondents, 2,298 except for "BBC is good at representing my ethnic group" where the base is all respondents, 623

Source: NatCen Social Research for BBC Trust, Purpose Remit Survey, 2015

#### Box 22. Performance scores serving ethnic groups



Base: White: 1,721; Asian: 216; Black: 151; Chinese/Mixed/Other: 188

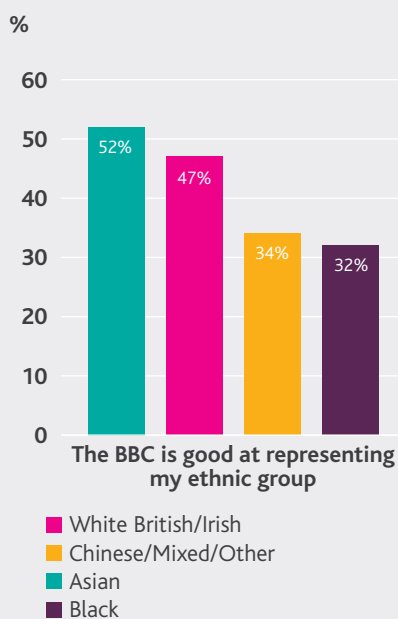
Source: NatCen Social Research for BBC Trust, Purpose Remit Survey, 2015

### Improving provision for Black, Asian and Minority Ethnic (BAME) audiences

Ofcom's third review of public service broadcasting in July 2015 found that satisfaction with and positive portrayal amongst BAME audience is a problem across all public service broadcasters.<sup>102</sup> They found that half of all black ethnic groups (55 per cent) felt under represented and a similar proportion (51 per cent) felt negatively portrayed on television. This was reflected in the BBC Trust Purpose Remit Survey which found that in 2014, less than four in ten (39 per cent) of non-white British participants agreed that the BBC is good at representing their ethnicity, making this the lowest scoring area (see box 21).<sup>103</sup>

There is also data suggesting some core BBC services are disproportionately watched by white people. These issues of BAME audiences feeling underserved by the BBC was flagged by Trevor Phillips, the former head of the Equality and Human Rights Commission who labelled BBC Two “Britain’s whitest terrestrial television station” and claimed “people of colour are paying a hundred and fifty pounds a year for the upkeep of services that actually do not serve them.”<sup>104</sup>

**Box 23. Performance scores representing ethnic groups**



Base: White: 56; Asian: 216; Black: 156; Chinese/Mixed/Other: 195

Source: NatCen Social Research for BBC Trust, Purpose Remit Survey, 2015

The wider media sector is starting to respond to the challenge. A number of broadcasters (including the BBC) have come together in the Creative Diversity Network to promote diversity through initiatives like the Senior Leadership Programme.<sup>105</sup> Others have set targets, such as Channel 4, which is aiming to increase the proportion of executives from BAME backgrounds from eight per cent to 15 per cent by 2020,<sup>106</sup> and Sky Entertainment, which has set a target of 20 per cent of writers and significant on-screen roles from BAME backgrounds.<sup>107</sup> The government notes the broadcasting sector’s commitment to tackling diversity and welcomes the positive interventions, like the British Film Institute’s (BFI) very successful ‘three ticks’ funding scheme, now ‘BFI Diversity Standards’, which has been extended to all projects in receipt of BFI lottery funding.<sup>108</sup> However, the pace of change is too slow. Our television screens and radio waves still do not adequately reflect the society we live in. The BBC has recognised that it must do better, and set out its commitment to tackling diversity on and off screen in its diversity strategy.

The government welcomes this strategy. The key aspects are:

- **new portrayal targets:** with 15 per cent of lead roles going to BAME actors by 2020 and 50 per cent of lead roles going to women;
- **new workforce targets:** with 15 per cent of senior leadership roles for BAME, ten per cent LGBT and eight per cent for disabled staff and to have a gender balanced senior leadership team by 2020;
- **new commissioning guidelines:** ensuring that independent producers have diversity in their thinking from the very start of the creative process; and
- **new initiatives:** to gather views from diverse audience members via diverse audience panels, improved training for managers and recruiters, an overhaul of recruitment practices and tracking of social mobility amongst BBC staff.

But more still needs to be done. Given its role and public service mission the BBC should lead the way in truly representing the diverse communities it serves. Over the next Charter period, the government wants the BBC to be the leading broadcaster in addressing diversity issues on and off screen, by bringing a realistic and positive portrayal and representation of underrepresented groups, such as BAME and women into the mainstream, having a higher proportion of groups consuming its content and providing specific programmes and services. The government will enshrine diversity in the new Charter's public purposes, which along with a commitment to serve all audiences enshrined in the BBC mission, will help hold the BBC to account for delivering for everyone in the UK.

The BBC must also give consideration to the full range of ideas for how it can enhance its performance, such as the proposal for a BBC centre of excellence for diversity programmes and BAME programme makers in Birmingham, as suggested by Sir Lenny Henry.

In addition and recognising that portrayal and satisfaction of minority audiences is an issue for all the public service broadcasters, the government will also introduce a pilot for contestable funding (as set out in Chapter 6). This will mean that funds will be available for making shows about and for diverse audiences, helping aspiring talent from minority communities to get commissioned, and onto the schedules.

### Improving provision for nations and regions

Just as the BBC also has an obligation to serve diverse audiences, as outlined above, it also should have an explicit duty to serve and reflect licence fee payers from across all parts of the UK and to bring to them the issues that are relevant for their individual communities.

#### Box 24. How well the BBC represents life in the nations and regions through its content

##### Northern Ireland

Mean nations, regions and communities performance

**51%**

##### Wales

Mean nations, regions and communities performance

**48%**



##### Scotland

Mean nations, regions and communities performance

**44%**

##### England

Mean nations, regions and communities performance

**53%**

Mean nations, regions and communities performance

**UK total 52%**

Base: England: 1,217; Wales: 364; Scotland: 359; Northern Ireland: 358

Source: NatCen Social Research for BBC Trust, Purpose Remit Survey, 2015

**Box 25. BBC content supply in the nations and regions**

Producing more network TV content in the nations and regions is a priority for the BBC in order to address the perception amongst audiences outside London that it could represent them better. The BBC produced over 50 per cent of its content out of London with 18 per cent spent in Scotland, Wales and Northern Ireland in 2014/15.



**Network TV programming spend by region as a percentage of eligible spend (2014):**

|                      |       |
|----------------------|-------|
| London               | 46.7% |
| Scotland             | 9.2%  |
| Northern Ireland     | 2.5%  |
| Wales                | 6.5%  |
| England (ex London)  | 35.2% |
| Total nations:       | 18.1% |
| Total out of London: | 53.3% |



**BBC local radio and nations radio hours output:**

|                     |             |
|---------------------|-------------|
| London              | 8,260 hrs   |
| Scotland            | 12,494 hrs  |
| Northern Ireland    | 8,722 hrs   |
| Wales               | 13,784 hrs  |
| England (ex London) | 225,084 hrs |

Source: BBC Annual report and Accounts 2014/15



Across the nations and regions of the UK we know that the public want us to do more to portray the full diversity of life across the UK throughout our programmes and services. The UK is changing and it is not straightforward to represent or portray every aspect of British life across all of our services. However, the BBC has a major role to play here, and in the next Charter we will evolve our programmes and services to meet these changing audience demands.

British, Bold, Creative, BBC, p.46.<sup>112</sup>

The government’s consultation was clear that, overall, people think that the BBC serves its audiences well.<sup>109</sup> Respondents agree that the BBC has made clear its commitment to the UK’s constituent nations and regions and feel this is reflected in some of its best content, such as *Gavin and Stacey*, *The Fall*, *Peaky Blinders*, *Shetland* and *Poldark*.<sup>110</sup>

However, the results of BBC Trust research, the Ofcom Public Service Broadcasting Review and the government’s public opinion research all show that audiences in the nations and in some English regions feel less well represented and reflected by the BBC, with viewers in Scotland and Northern Ireland scoring the BBC less favourably than England and Wales (see box 24), and those in the North of England scoring the BBC less favourably than their counterparts in the South.<sup>111</sup>

The government has challenged the BBC to address the issues raised by the public and has consulted with administrations and legislatures of Scotland, Wales and Northern Ireland to understand their concerns in more detail. This includes specific concerns raised in the consultation about the lack of decentralised decision-making and budgets for parts of the BBC based in the nations and about aspects of the BBC's commissioning process which appear to work less well for the nations and regions.

The BBC has the editorial and operational independence to decide how best to serve its audiences. To address the challenges the government set, the BBC has made the following commitments and the government understands it will be imminently publishing details of these:

– **To improve commissioning:** In the current Charter, the BBC has made significant strides in moving television production outside of London. In 2014/15 it exceeded the 17 per cent target for content production in the nations, producing 18 per cent (see box 25). But it is not just about spending the licence fee across the UK, it is also important that the BBC's services reflect the whole country. The current commissioning structure for BBC network channels (e.g. BBC One and BBC Two) was seen as a barrier to the BBC creating content which is representative of each nation, as commissioners for these channels are generally not based in the nations.<sup>113</sup> The BBC is proposing reforms to address this – it will create drama commissioning roles in all nations and will ensure that commissioners across all genres have specific objectives to improve portrayal. They will also fund BBC 'Writers Rooms' – a programme to work with and develop new writing talent – in each of the nations. These moves will support both the creation of more content that reflects the diverse nature of the UK, through commissioning more programmes like *The Fall*, made in Northern Ireland, but also potentially greater investment in production in the nations where some of this content will be made, and also help sustain the creative economy and the TV production sector outside London.

– **To increase nation-specific content:** the BBC already spends more per head on services in the nations than for audiences in England. The BBC plans to protect spending in the nations relative to other areas, and to make some additional funding available to further improve existing dedicated services in the nations, as well as investing in a new digital offer with more content and personalised services for the nations and regions. In addition, the BBC is carrying out a review looking at whether it has the right balance between the provision of pan-UK news and dedicated news services in the nations.<sup>114</sup>

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The government welcomes the BBC's efforts and believes this will address a number of the key issues relevant to the nations and regions. But in addition, the government will:

– **Require the licensing of the BBC to include specific provision for the nations.** The government wants to enable the BBC to better serve its audiences in the nations and to be held to account in doing so. To address the concerns raised by the public about portrayal requires a change in the way in which the BBC manages its services in the nations, to allow more localised decision-making and flexibility in managing budgets across services. Following the recommendations made by Sir David Clementi (as set out in Chapter 3) the government will require Ofcom's licensing of the BBC to include specific provision for the nations. This will provide the regulatory basis against which the BBC's provision for the nations can be held to account.

– **Maintain the commitment to 'out-of-London' quotas enabling a healthy independent production sector in the nations and regions.** Quotas for content production outside London are the largest current intervention in generating value and driving the content production industry in the nations and regions. There was overwhelming support for the out-of-London quotas from stakeholders in the nations and as such they will remain unchanged. Stakeholders in Scotland raised concerns about the 'lift and shift' phenomenon; when shows produced in Scotland may have been commissioned in London and transferred to Scotland for production, rather than originating in Scotland, resulting in content that is not 'of Scotland' even though it is produced there. The need for more nation-specific content which is 'of that nation' has been recognised by the BBC and the government expects this to be addressed through their changes to commissioning processes. The BBC's network television supply target of 17 per cent for content spending in the nations will be maintained with spend being proportionate to the population of each nation.

– **Maintain a commitment to minority language broadcasting services.** Evidence from the government's public consultation and qualitative research demonstrated that people in the nations really value minority language broadcasting services, for the support it provides in helping to ensure the continued use of minority languages<sup>115</sup> of the British Isles and for its importance in terms of cultural diversity and national identity. The government expects that the BBC will continue to support minority languages through its partnerships with S4C and MG Alba to deliver television services in Wales and Scotland respectively, and with Northern Ireland Screen to deliver a range of television programmes in Irish and Ulster-Scots.

# 3. Enshrining independence and accountability

|   |    |
|---|----|
| Creating a unitary board for the BBC                                  | 48 |
| Introducing an external regulator                                     | 51 |
| A new framework and licensing regime                                  | 54 |
| Reforming regulatory processes and powers                             | 56 |
| Separating the Charter Review from the political cycle                | 57 |
| Increasing accountability to the nations                              | 59 |
| Continuing the partnership with S4C                                   | 59 |
| Introducing an easier, more efficient complaints system for audiences | 60 |
| Engaging with the public as citizens as well as consumers             | 61 |



How the BBC is governed and regulated is crucial to its success, as it is for other public and private sector bodies. It requires building the right framework of accountability, incentives and checks and balances necessary to ensure the BBC acts in the public interest, maintains its independence, delivers for licence fee payers, takes account of its market impact and operates efficiently and transparently.

The current system of governance and regulation for the BBC was introduced ten years ago, with the establishment of the BBC Trust. This system improved on the board of Governors in a number of respects, including increased transparency and more effective engagement with licence fee payers. There were also high hopes that this structure would provide greater accountability and ensure the BBC acted in the public interest. But it has become increasingly clear that the BBC has been constrained by the governance reforms of the last Charter, which have in practice confused rather than clarified responsibilities.

The government commissioned an independent review of the governance and regulation of the BBC, led by Sir David Clementi (the Clementi Review) to investigate these issues.<sup>116</sup> The Clementi Review published its findings in March 2016 and recommended fundamental change to the current system. The government accepts these recommendations and is therefore committed to major reform of the system of governance and regulation of the BBC – keeping the good, but changing where necessary – to ensure that the BBC can continue to thrive in the next decade and beyond with a strong unitary board balanced by strong, independent external regulation.

“

There is now a large degree of consensus amongst witnesses that the BBC's present structure is unsustainable. In particular, most argued that, whatever the merit of seeking to move on from the combined cheerleader/accountability mechanism provided by the BBC Governors, with the establishment in 2007 of the BBC Trust, the changes were not radical enough, failing either to meet the BBC's needs for clear management structures and responsibility or to give the public confidence that the BBC was being rigorously held to account by an independent body representing licence fee payers' interests.

Culture Media and Sport Select Committee Report, p8<sup>117</sup>

The new Charter will therefore:

- create a unitary board for the BBC;
- introduce full external regulation of the BBC by Ofcom;
- reform the mechanisms of regulation including establishing a new operating framework and operating licence regime;
- separate the Charter Review process from the political cycle;
- make the BBC more accountable to the nations of the UK;
- reform the BBC's complaints system; and
- set new expectations for public engagement and responsiveness.

## Creating a unitary board for the BBC

The Clementi Review made clear that clarity of responsibilities is essential for effective and accountable decision making. This is the case for any organisation, but particularly for one as important as the BBC. It found that the current Trust model confuses governance and regulation and keeps important regulatory functions, which should be undertaken by an external body, within the BBC. This led Sir David Clementi to describe the current system as 'flawed'.<sup>118</sup>

The Clementi Review recommended that the BBC should have a single unitary board, collectively responsible for everything the BBC does, for delivering against the public purposes and other obligations of the Charter, and for acting in the public interest. It also recommended independent regulation by Ofcom. The government agrees. This model will address the two main criticisms of the current system:

- clarity of governance – a single BBC unitary board will ensure there is no confusion of governance issues. It will make it clear who in the BBC is responsible for what. This will help to avoid situations that have arisen recently in areas such as the Digital Media Initiative which the NAO found to have wasted £100 million<sup>119</sup> and executive pay, where the NAO found that "decisions to award severance payments that exceed contractual entitlements were subject to insufficient challenge and oversight".<sup>120</sup> The Public Accounts Committee said their investigation of executive pay "exposed a dysfunctional relationship between the BBC Executive and the BBC Trust";<sup>121</sup>

- division of governance and regulation – a unitary board in combination with an external regulator will ensure that important regulatory functions are kept outside of the BBC, as the current Chair of the BBC Trust has called for. Under the current system, for example, there is no appeal external to the BBC Trust for either editorial decisions about political impartiality or decisions about the introduction or closure of services. This will be avoided in future;



The strongest case for more significant change is in this area of oversight, where a fault line continues to lie in the blurred accountabilities between the Trust and the Executive board. And that's why we want to propose reform. Responsibilities for strategy, financial and operational management need to sit with the BBC Executive – to allow them to respond to a rapidly changing environment. Responsibilities for regulation and broader accountability need to sit at one remove. That way, there should be no possibility of vagueness or uncertainty about who will be held responsible for what, when the chips are down.

The cleanest form of separation would be to transfer the Trust's responsibilities for regulation and accountability to an external regulator. There should be a single body responsible for setting those standards for the BBC, licensing and regulating its activities, and holding it to account for the way it spends public money.

Rona Fairhead, BBC Trust, Oxford Media Convention Speech 2015<sup>122</sup>

## Role

The new BBC board will be collectively responsible for ensuring that the BBC acts in the public interest and meets its wider Charter obligations. It will therefore have overall responsibility for governance of the BBC which will involve a range of duties:

- **creating an effective BBC by overseeing strategy, service delivery, operational delivery** (including management structures, finance, staffing levels, audit and risk, procurement, compensation and partnerships). It will also have primary responsibility for ensuring the BBC takes account of both public and market impacts;
- **delivering an efficient BBC**, that delivers value for money for the licence fee payer, both in its public service and commercial operations;
- **measuring performance**, including of programmes, services and standards; and
- **public engagement**, taking account of both consumer and citizen interests.

In fulfilling its responsibilities the board should seek to maximise transparency. In doing this, as recommended by the Clementi Review, it will need to report annually in a range of areas to ensure transparency (see box 26).

#### Box 26. BBC board reporting

- Audit: how finances are managed as well as looking at wider issues that the board is responsible for such as value for money.
- Remuneration: how senior executive pay is determined.
- Nominations: the appointment of senior executives and some non-executive board members.
- Operating framework and licensing: how it has met its regulatory obligations and delivered against its Charter objectives overall.
- Editorial and complaints: how it has ensured the BBC meets its high editorial standards, how complaints have been handled and what it has learned.
- Distribution: how it has made content available to the public.
- Competition and fair trading: how it has properly managed its commercial and non-commercial activities.
- Consultation and outreach: how it has engaged with the public and what it has learned from this activity.

The responsibilities that fall upon the board and the activities it will need to undertake are significant. The board will need to provide clear public reports on each of these areas showing how the BBC has performed, providing public accountability for how the BBC has delivered its objectives. All members of the BBC board will be expected to undertake roles that contribute to the discharge of these functions in line with the wider duties on the board, such as the important and enduring role to uphold the independence of the BBC. The board will also need to be self-critical, making sure that as a group it operates effectively to promote the BBC's public service objectives.

The government accepts the Clementi Review's recommendation about the size, constitution and role of the board. As such, it will consist of between 12 and 14 members, reflecting the need for a breadth of expertise and experience, accepting that in general smaller boards are to be preferred for reasons of both effectiveness and accountability. The board will be made up of a majority of non-executive members with a non-executive chair and deputy chair. There will also be non-executive members designated for each of the four constituent nations of the UK.

The government agrees with the Clementi Review that these four members "will need to be able to balance their representative role with their legal duty under the Charter to serve the BBC as a whole; and given the need to limit the size of the board they will need to bring specific skills to complement the skills of others."<sup>123</sup> There will then be no fewer than four further non-executive members and no fewer than two further executive members of the board, with the exact number of each to be determined by the Chair of the board, consistent with the upper limit of 14 total members.

#### Appointments

For the new BBC board to be effective in meeting all of its duties it will need to have the right people on it who have the skills, knowledge, experience, stature and independence to hold an organisation as large and complex as the BBC to account. Given the responsibilities set out above, the time commitment required of non-executive members of the board is likely to be more substantial than is usual in other organisations. For a public service organisation, spending £3.7 billion of public funds each year, it is essential that these appointments are also made with due transparency and scrutiny. It is equally important that the BBC board is able to ensure it has the right mix of skills and that the process of appointments and make up of the board is compatible with the fundamental principle of the independence of the BBC.

The government accepts the proposal of the Clementi Review that both the government and the BBC should have a role in appointing members to the board, with all appointments following a robust and transparent process. The government will enshrine this in the new Charter. Following the proposals and recommendations in the Clementi Review, a Public Appointments process, led by the government, will be used to appoint the Chair, Deputy Chair and members for each of the four nations of the UK (a total of six members). Both the remaining non-executive members and executive members of the board will be appointed by a nominations committee of the board. This means that for the first time the BBC itself will be empowered to appoint members to its sovereign board. It also ensures that the BBC board will always have at least 50 per cent of its members appointed by the BBC itself, compared to the current Trust model which is entirely appointed by government via a Public Appointments process. This will strengthen the independence of the BBC for the future.

Whether made by public appointment or by the BBC board, all appointments will be expected to follow public appointments best practice, including independent members on selection panels. The government intends to go even further than this. All public appointments to the BBC board will have a triple lock to ensure the best candidates are identified and appointed for these positions:

- the appointments will follow the best practice of public appointments guidance including specifying the skills and criteria;
- there will be a requirement for the BBC Chair to be closely involved at each stage of the appointments process including in the drafting of role specifications; and
- the Queen-in-Council will ultimately appoint each member on recommendation from the government.

In addition, the candidate identified for appointment as the Chair will be subject to a confirmatory hearing before the Culture, Media and Sport Select Committee ahead of appointment, as is currently the case. The appointments for members from each of the four nations of the UK will carry forward the current arrangements for involving each of the nations in the process.

Transitional arrangements, including in respect of the BBC board, are discussed on page 56.

**Box 27. Appointments to the unitary board**

| Member   | Appointment process   |
|--|---|
| Non-executive chair of the BBC                                 | Public appointment followed by parliamentary scrutiny   |
| Non-executive deputy chair of the BBC                          | Public appointment  |
| Non-executive member for England                               |   |
| Non-executive members for Scotland, Wales and Northern Ireland | Public appointment involving the relevant government or executive as under current arrangements |
| Other non-executive members                                    | BBC board appointment   |
| Executive members  |   |

While the board will collectively have responsibility for all that the BBC does, it is important to distinguish between the role of the executive and non-executive members particularly in relation to editorial matters. The board as a whole will have responsibility for setting the overall editorial direction and the framework for editorial standards. The Director-General will remain the editor-in-chief and chief executive of the BBC. Executive members of the board will rightly have functions in relation to the day-to-day operation of the BBC and making specific editorial decisions. Non-executives may have specific roles in regard to the editorial framework, but not making pre-broadcast case-by-case decisions.

The Charter will enshrine the independence of the BBC and it will be a duty of each and every board member to uphold and protect this independence. In addition, and recognising the importance of the editorial decision making of the Director-General as editor-in-chief, we will enshrine in the Charter the Director-General's independence and final responsibility for the BBC's editorial decisions and creative output.

In order for the board to be able to discharge its duties it will need to be properly supported. It will be important that it has access to independent advice and to the wider organisation so that it can properly scrutinise and challenge recommendations it receives. Some have suggested that a separate unit would be required to ensure this. While it is crucial that the board receive this support, the decision as to exactly what is required and how it is provided is rightly a matter for the board to determine.

### Introducing an external regulator

The BBC requires regulation for a combination of different reasons. It needs editorial regulation to make sure it meets the standards that we expect, for example in terms of avoiding harm and offence. Regulation is needed to check that the BBC is delivering against the strong duties placed on it under the Charter. It is also important that a regulator is able to consider the impact of the BBC on the wider market.

The BBC Trust has introduced some regulatory rigour to the BBC's activities, with 'Public Value Tests' and extensive consultation with industry and licence fee payers. But this work is hindered by the current Charter which states that the BBC Trust is ultimately the 'sovereign body' of the BBC, and giving the Chair of the Trust the honorary title 'Chair of the BBC'. This amounts to the BBC itself making the final judgements about whether its programmes have met the editorial standards required and taking the final determination about the introduction or closure of services.

The regulation of the BBC must be, and must be seen to be, separate from and independent of the BBC. The BBC Executive itself recognises this, with the Director-General saying in November 2015:

"I welcome an external regulator reviewing the delivery of the BBC's remit. And having the power to impose remedies if we fail to meet our purposes or breach our service licences."<sup>124</sup>

The Clementi Review considered two broad options for how external regulation of the BBC could work:

- **'Ofbeeb'**: creating a new bespoke regulator for the BBC that would sit alongside the existing regulator Ofcom.
- **Ofcom**: giving the existing communications and broadcasting regulator responsibility for regulating the BBC in its entirety.

The Clementi Review set out the arguments in favour of both models but it concluded that the arguments for consolidating regulation of the BBC within Ofcom heavily outweigh those in favour of setting up a bespoke regulator. The main reasons for this are:

- scale and credibility of Ofcom – Ofcom is the existing public service regulator for the broadcast industry, with a successful track-record, the scale and credibility to deliver and an overview of the sector that allows for informed decision-making;
- need to avoid dual-regulation – the Ofbeeb model cannot avoid the situation of having the BBC regulated by two separate bodies. Even if 'Ofbeeb' took on all of the functions that have been suggested, it would necessarily rely on Ofcom to be able to undertake the competitive regulation functions; and

– need to avoid regulatory capture and conflict – a model that sets a regulator up with responsibility for only one body is now generally considered to be problematic, as it risks either capture or conflict. As Burns noted, “It is increasingly regarded a poor regulatory practice to institute regulators with only one ‘client’”<sup>125</sup> and since then we have seen a further move away from this practice, for example with the merger of Postcomm and Ofcom.

“

The strongest, and simplest, argument in favour of the Ofcom model is that Ofcom is already the public service regulator for the United Kingdom’s broadcasting industry. It already has regulatory powers in respect of the BBC, already has considerable experience in almost all of the regulatory issues that the BBC gives rise to, and has during its twelve years of existence built up a significant reputation for dealing with competition issues that are likely to come increasingly to the fore. Ofcom has scale and credibility. It would be a strong regulator to match a strong BBC.

Sir David Clementi, *A Review of the Governance and Regulation of the BBC*, March 2016

The conclusion that the regulatory role should move wholly to Ofcom was also the position held by many of the stakeholders that responded to the public consultation. Those who argued for a different model to that of the Trust, such as the House of Commons Culture, Media and Sport Select Committee, recognised that an increase in Ofcom’s regulatory role is desirable.

The government agrees with the conclusion that Ofcom is the best body to take on full regulation of the BBC. As the regulator for the broadcast and communications sector it looks across the whole of an increasingly interconnected technological and commercial landscape. It already regulates the rest of the broadcasting sector in respect of content regulation, issuing licences, looking at media plurality and competition issues. And under section 198 of the Communications Act 2003, Ofcom already has significant powers to regulate the BBC, insofar as the Charter permits. Ofcom will need to change to take on these responsibilities and there are some important issues for the Ofcom board to consider about how as an organisation it will approach this. The government will make sure Ofcom has the powers it needs to do this. As the Clementi Review summarises, Ofcom “would be a strong regulator to match a strong BBC”.<sup>126</sup>

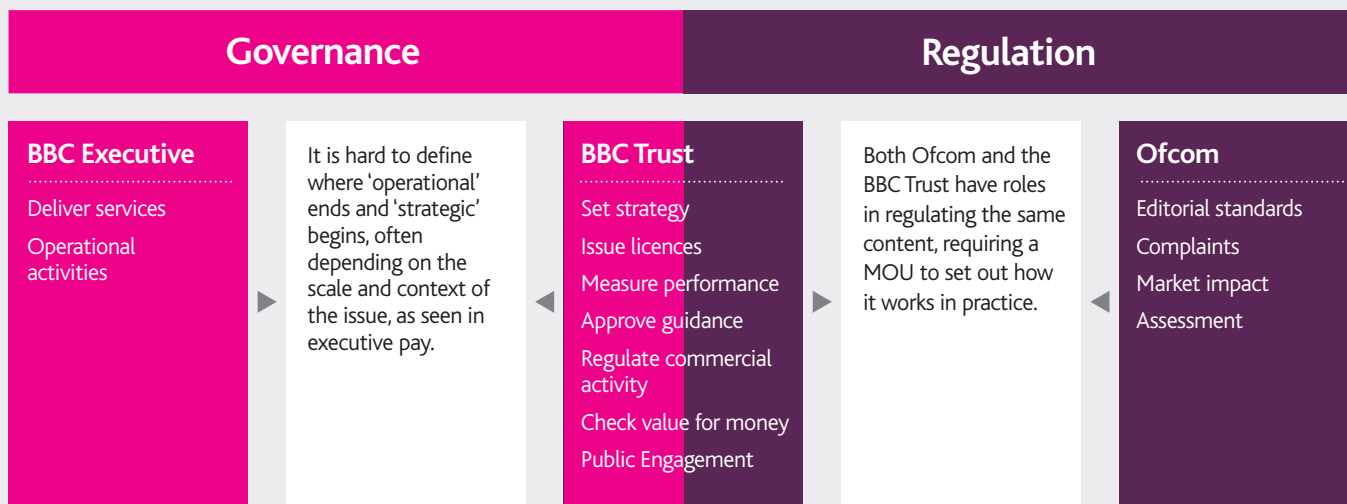
Ofcom will be responsible for assessing the performance of the BBC board in meeting its Charter obligations. It will therefore have overall responsibility for regulating the BBC. This will involve:

- **monitoring and reviewing performance** including by assessing on a periodic basis the extent to which the BBC is meeting its overall mission and its accompanying public purposes, with powers to remedy any identified failings;
- **establishing a licensing regime** setting out regulatory requirements and expectations;
- **regulating editorial standards** to ensure the BBC meets requirements in areas such as accuracy, impartiality, harm and offence;
- **holding the BBC to account** for its assessment of both market impact and public value, alongside regulation of commercial activity; and
- **acting as the appeal body** in terms of complaints.

Under the new Charter therefore the BBC will, for the first time, be wholly regulated by an external regulatory body. This will introduce wholly independent scrutiny of what the BBC does, ensuring that it is held to account in delivering its obligations under the Charter and acting in the public interest.

**Box 28. Clearer roles and responsibilities**

**Current trust model**



**Proposed model**



## A new framework and licensing regime

For Ofcom to do its job properly, it will need to have the right tools. There is currently a wide array of protocols, remits, licences and other documents that set out what the BBC should be doing and how it should be doing it. With Ofcom as a new regulator the government wants to see a new framework and new licensing regime that consolidates and streamlines the existing documents into a clearer system that can be more easily understood.

### Operating framework

At the highest level the Charter sets out the BBC's mission, purposes and overarching constitution. Beneath that a more detailed Framework Agreement sets out the detail such as saying what the licensing regime should include. The Clementi Review recommends that beneath the Charter, there should then be an operating framework, setting out the detail of how the relationship between the regulator and the BBC will operate which should "build on relevant regulatory elements within existing Trust documentation, such as the 'Fair Trading Policies and Framework', 'Purpose Remits', and 'Distribution Framework' that the Trust has developed over the past decade".<sup>127</sup> The government will give Ofcom flexibility in how it designs this new framework to meet these objectives. But the government agrees that a consolidation of the various policies that currently govern the relationships between the BBC Executive, Trust and Ofcom would help to simplify and clarify roles and responsibilities.

### Licensing regime

Alongside these three documents will sit a new operating licence framework. The BBC currently has 26 service licences which are set by the BBC Trust. These licences cover each of the BBC's television channels and radio stations, as well as one licence that covers its online portfolio, including iPlayer, the red button service and BBC Three. These are important documents – setting out what is expected of the BBC in each particular service and providing the means for assessing whether the BBC is delivering.

The Clementi Review recommended this new regime would contain more detail than the licences currently provided for Channel 3 and Channel 4 by virtue of the unique funding model of the BBC, the standards that the public expects as a result and the obligations placed on it by the Charter. It would also be different from the current model in two respects:

- **greater focus on quantitative metrics** – the new regime should be moved towards a more clearly regulatory approach with a greater focus on measurable quantitative obligations that specify desired outputs and outcomes rather than the more qualitative approach of the existing service licences; and
- **streamlined scope** – there is the potential to reduce the number of licences. The Clementi review highlighted options relating to licences based around genre and groups of services (e.g. television). There is also the option of having just one licence document setting out what is expected of the BBC across the range of its services.

The government agrees with both of these recommendations. In addition, the new licensing regime will need to reflect the reformed mission and purposes set out in Chapter 2, particularly in relation to the focus on distinctiveness. The government will do this in two ways:

- building on the existing system, require the licensing of the BBC to include content requirements that provide a set of measurable outputs to which the BBC can be held, the majority of which will be at service level. The BBC will be obliged to report against these content requirements, and the regulator will enforce against them, ultimately with the ability to sanction the BBC if required. In the light of the need for a more distinctive set of BBC services there will be a strengthening of overall requirements; and
- require the regulation of the BBC to include a framework of further performance metrics to provide a wider evidence base against which the BBC's performance can be assessed. These new measures will be a resource that will provide a guide to the work of the BBC's board, their commissioners and editors, and will build in real incentives for the BBC to focus on the public purposes and to produce innovative, distinctive content and services.



The government will provide guidance to the regulator on content requirements and performance metrics to set clear policy parameters for the creation of this new regime. Ofcom will then be expected to consult to establish the final set of requirements and metrics in line with this guidance. Some of the areas which the government is considering to include in its guidance are set out in Box 18 in Chapter 2. These will need to be kept under review by Ofcom over the period of the Charter and it will have the power to revise and amend the content requirements and performance metrics following due consultation. The government will also require the BBC to publish its audience 'Appreciation Index' data that will allow the public and the regulator to assess how well it is serving its audiences.

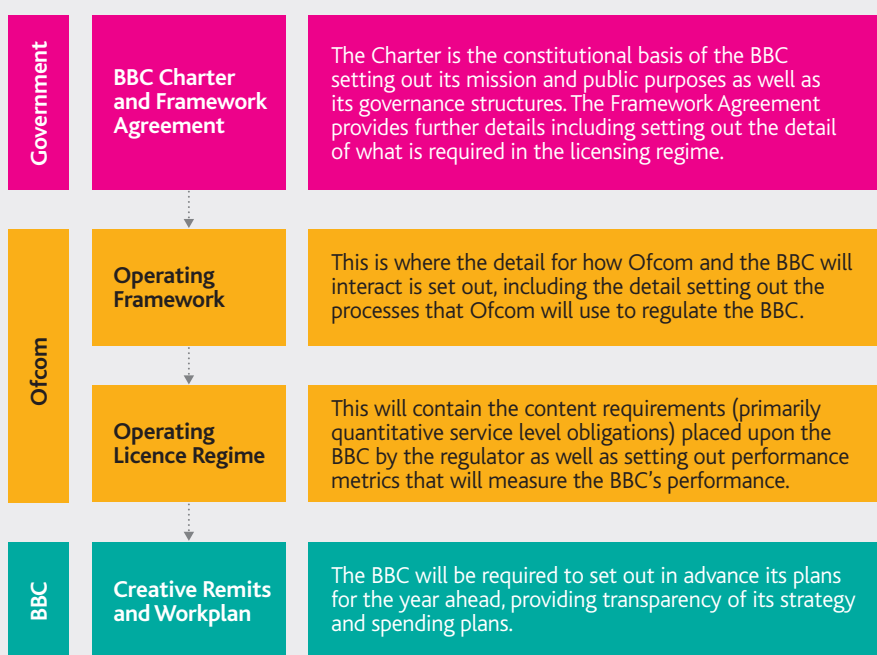
These metrics will help Ofcom assess the performance of the BBC in meeting its public purposes in an objective way. But coming to a view about the BBC's performance will always require complex and nuanced judgement: not all aspects of performance are susceptible to quantitative measures, and metrics that do exist may not always point in the same direction. The regulator will therefore need to apply its experience and skills in taking an approach to monitoring the overall performance of the BBC that recognises these complexities. This will need to be reflected in how Ofcom organises itself to perform the role.

### BBC publications

In addition to these regulatory documents, The Clementi Review recommended that the BBC be required to publish documents in relation to both its output and corporate activities, referred to as the Creative Remits and Workplan, giving a transparent account of its plans on an annual basis, including budgets for services. The government agrees that these will be serve an important role in ensuring the BBC is accountable to the public and clear about its intentions. The Charter will enshrine the obligation for the BBC to produce these documents.

This framework is set out in the table below. Together these documents will provide a clear framework for the BBC that will make it clear which organisation is responsible for what. It will bring together the various elements of existing regulation into a clearer framework that will support the increased accountability of the BBC.

### Box 29. New framework and licensing structure



The Clementi Review recommended that the BBC board should have responsibility in the first instance for publicly reporting its performance. The government agrees that the first duty falls on the BBC board to account for its activity which is why there will be strong obligations placed on the BBC board, as set out earlier in this chapter. The role for Ofcom, then, is one of holding the BBC to account and setting out how it has discharged its own duties. The Charter will therefore set out Ofcom's role in reporting on both an annual and periodic basis:

- **Annually** Ofcom will need to report on the BBC's compliance with its licence obligations and on its performance metrics, as discussed in Chapter 2. It will also need to say what else Ofcom has done as a regulator of the BBC (e.g. how it has handled complaints and if it has made an adjudications on new services).
- **Periodically** Ofcom must take a more detailed look at the BBC and how it is delivering against its purposes. This provides opportunities to look both broadly across the range of services and specifically at any issues of concern.

– In addition to these annual and periodic reporting requirements, Ofcom will have the ability to undertake any additional investigations of BBC activity falling under its regulatory remit that it deems necessary, and to publish its findings. It could, for example, choose to investigate the BBC's performance in particular genres or in how it is supporting certain audiences where there is clear evidence that the BBC is failing to meet its audiences' expectations, and where it is proportionate to do so. Further information about Ofcom's powers in this regard is set out in Chapter 4.

#### Timing and transition

The fundamental changes to governance and regulation set out in this section will require time for the bodies involved to implement, given the complexity of the changes, the need for a smooth transition, and the requirement to consult on some elements of the new structures. Recognising the need for stability at this time, the current Chair of the BBC Trust will continue as Chair of the BBC through to the end of the current term (October 2018). The government will work closely with the relevant organisations and will set out further details on transition in the summer.

#### Reforming regulatory processes and powers

For Ofcom to be an effective regulator of the BBC, it will need appropriate processes and powers. A number of changes are needed to the current system to deliver this.

One area in which reform is needed is the way in which changes to BBC services are approved – for example the opening or closing of a channel. Under the current model the BBC Trust is ultimately the responsible body for determining whether a change is in the public interest and whether any market impact is justified, drawing on work from Ofcom and the BBC Executive in doing so. The Charter sets out the mechanism for doing this, called a Public Value Test (PVT). Such an assessment is needed, but the current arrangements have proven cumbersome, expensive and time-consuming, blurring governance and regulatory functions. This is bad for the public and bad for the industry because it means that decisions can take years to work their way through the system. For example, the most recent regulatory decision, to move BBC Three online, was announced in March 2014 but not agreed by the BBC Trust until November 2015.

The Clementi Review proposed that the BBC board should take responsibility in the first instance for taking account of the public value and impact on the market in their decisions, in line with its role in overseeing all of the BBC’s work and ensuring it delivers in the public interest. It balanced this by saying that Ofcom should be able to make a final determination on whether a change is acceptable. This puts the responsibility for considering the public interest in the right place, with the BBC board setting the BBC strategy and having responsibility for delivering against the BBC’s Charter obligations, while ensuring that there is a hard edge of regulation to make sure this is done properly, holding the BBC to account with particular regard to market impact and protecting the legitimate interests of third parties to the extent that the BBC has failed to give them due consideration. The new Charter will set out a model for a reformed process that follows this principle. The Framework Agreement will also specify time-frames by which such a process should be conducted, given the market uncertainty that can be caused by a protracted period of assessment. Further detail about Ofcom’s regulatory powers and sanctions are set out in Chapter 4.

### Separating the Charter Review from the political cycle



The BBC has been constituted by Royal Charter since 1927. While other approaches such as a statutory basis have been suggested, responses to our consultation emphasised continued support among both industry stakeholders and the general public for maintaining the Royal Charter as the method by which to constitute the BBC. This includes the BBC Trust, which believes that a Charter “is the best method for guaranteeing the independence of the BBC.”<sup>128</sup>

The Royal Charter as the foundation of the BBC has stood the test of time and while some reforms are needed, these don’t mean the whole process of enshrining the BBC by Royal Charter should be abandoned. The government will therefore continue the unbroken line of Royal Charters from 1927, ensuring that there is a constitutional basis for the BBC and laying out the public purpose of the corporation guaranteeing its independence and outlining its governance structures.

The government will also enshrine in the Charter those important conventions that have been established over time, to ensure future Charter Reviews are appropriately transparent, open and democratic. This will include the requirement for a future Charter Review to undertake public consultation and to allow parliamentary scrutiny through debates in Westminster and in the devolved legislatures.

This raises the question of the appropriate length of the next Charter. A longer Charter period would give the BBC freedom to operate with greater certainty and confidence. But a shorter Charter would ensure it does not become out of date in an era of ever increasing technological change. There is also a benefit in further distancing the Charter renewal process from the UK national electoral cycle: with fixed term parliaments of five years this could favour either a shorter Charter of seven to eight years or a longer one of 11. Charters have been of varying length in the past so there is no precedent for a particular length.

#### Box 30. Lengths of Royal Charter

|  |  |
|---|---|
| Length  | Number of Charters  |
| More than ten years   | 2   |
| Ten years   | 5   |
| Less than ten years   | 1   |
| Charter extensions (six months – three years)   | 4   |

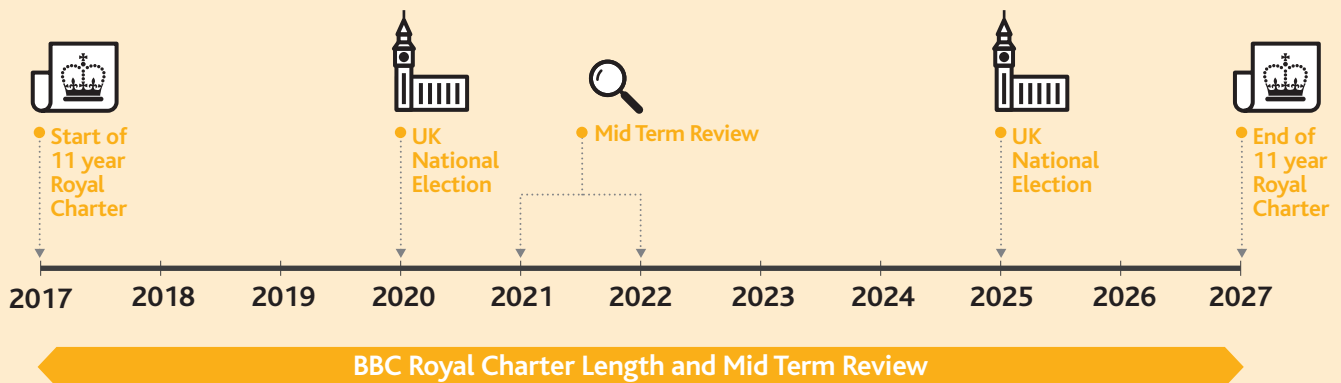
### 3. Enshrining independence and accountability

Given the priority the government places on protecting the independence of the BBC, the next Charter period will be for 11 years to 31 December 2027. But given the speed of change within the sector and the fundamental reform of the governance and regulatory structures that this Charter will make, it would not be appropriate to wait over a decade to review how the reforms are bedding in and whether any changes are needed. The Charter will therefore make provisions for a review to provide a health check focusing on the governance and regulatory reforms at the mid-term. This review will take into account the relevant findings of the most recent review of BBC performance that Ofcom will have published. Future funding issues, including an assessment of the BBC's commercial income and activities, should be considered alongside the review. To perform this review the government will have full access to information and co-operation from the BBC management.

It will be for the government of the day to determine the precise scope of this review, consulting the BBC unitary board and Ofcom. The review will not, however, consider changes to the fundamental mission, purposes, and licence fee model, as these have been determined by the current Charter Review process. This will provide long-term stability to the BBC on these central issues.

The continuance of the Royal Charter system in this reformed manner will ensure that the right balance continues to be struck between scrutiny and independence; ensuring the BBC has clarity about its long term objectives and is protected from political influence and ensuring that the reforms proposed in this Charter are having the desired effect.

#### Box 31. Charter timeline



## Increasing accountability to the nations

The BBC is our national broadcaster, acting in the interests of the whole of the UK. But it must also reflect the democratic makeup of the UK. As noted in Chapter 2, the BBC needs to be better at representing the audiences it serves, particularly in the nations where views on the BBC are generally less positive than England.<sup>129</sup> This situation has not been helped by the current Charter which distances the responsible trustees for the nations from the BBC's delivery.

To ensure appropriate accountability with the nations, the new Charter will:

- **require specific non-executive members of the unitary board to provide accountability to each of the nations of the UK**, alongside wider responsibilities placed on them. These members will have an important obligation to engage with the public in the nations and to understand their needs as well as providing other relevant skills and expertise to the board. This will bring the voices of the nations right to the heart of BBC decision making; and
- **give the regulator the power to scrutinise the BBC's performance** in delivering for the nations, and make sure the people of those nations can be clear about what they can expect from the BBC. As such, we support the proposal from the Clementi Review that the licensing regime should set out the obligations and measures that the BBC is required to meet and report against in serving their audiences in Scotland, Wales and Northern Ireland.

Additionally, the memoranda of understanding agreed with each of the devolved administrations and legislatures committed to three further measures which will be enshrined in the new Charter:

- **the devolved administrations will have a formal, consultative, role in any Charter Review**, including providing the devolved governments with copies of the draft Charter to lay in the devolved legislatures;
- **the BBC will lay their annual reports and accounts in each of the devolved legislatures;** and
- **the BBC will be required to submit reports to, and appear before, committees** within the devolved legislatures on the same basis as the UK Parliament.

## Continuing the partnership with S4C

The BBC Trust and S4C Authority have had a strong and successful funding and accountability partnership since 2011. In addition, S4C and the BBC have developed a wider strategic relationship that is delivering for audiences in the Welsh language and has shown the benefits of the two organisations working closely together – for example, the inclusion of S4C content on iPlayer has meant that Welsh language content can reach a wider audience.

In the new Charter period it is important that the funding and accountability arrangements in place between the two continue to protect the independence of both parties and provide certainty and clarity of funding for S4C. Both the BBC and S4C believe this is possible – both in the short term as the BBC moves to new governance arrangements and also in the longer term, where the S4C Review will be able to assess these in detail. The S4C Review, which will be carried out in 2017, will be a comprehensive review looking at a range of issues including remit, accountability, governance and funding arrangements. The government, the BBC and S4C are confident that any new arrangements between S4C and the new BBC board will protect the issues of independence that are important to S4C and the stakeholder community during the review period.

### Introducing an easier, more efficient complaints system for audiences

An important way in which audiences can hold the BBC to account is by telling the BBC what they think about its services and programmes directly: the BBC receives more than 250,000 editorial complaints every year.

The current complaints system was described by the Clementi Review as “complicated and confusing”.<sup>130</sup> This reflects long-standing concerns about the complaints systems in the BBC. For example, in evidence to the House of Lords back in 2011 Lord Grade, former Chair of the BBC, described the situation as “hopeless, absolutely hopeless”.<sup>131</sup> Since then the relevant bodies – the BBC Executive, the BBC Trust and Ofcom – have worked together to try and make things work as well as possible, implementing changes following the 2012 complaints framework review,<sup>132</sup> but they are hampered by the structures in which they work. A number of consultation responses reflected this concern.

There are two main reasons why the reforms have not satisfied critics. First, there remains confusion around responsibilities. Currently, one complaint can be handled by two different regulators, the BBC Trust and Ofcom. Hundreds of complaints about the BBC go to both. Second, Ofcom is specifically precluded from regulating the BBC’s accuracy and impartiality record – the subject of a large proportion of complaints. This means that the BBC Trust deals with this important area without any external oversight.

The reformed model of governance provides an opportunity to improve and streamline the way audience complaints are considered and make it easier for the public to engage with the BBC. The new Charter will introduce two changes:

- **a single complaints system** with regards to the BBC in relation to editorial matters. In the first instance the BBC will handle the complaint. Where a complainant is unsatisfied with the response, or where the BBC fails to respond in a timely manner, the complainant will then be able to complain to Ofcom;
- **external regulatory oversight of editorial matters.** Ofcom will be able to consider complaints about all BBC content, including accuracy and impartiality in BBC programmes. This means the BBC will continue to be held to the high editorial standards that the public expects. It will build on the expertise and experience that Ofcom already has in considering complaints about the BBC and the rest of the broadcasting sector.

This approach will require Ofcom to take on responsibility for the regulation of aspects of BBC content currently outside of the Broadcasting Code. The government will work with Ofcom and the BBC to make sure that the BBC is held to the high editorial standards that the public rightly expects.

#### Engaging with the public as citizens as well as consumers

The BBC does more than provide content to viewers as customers. Being publicly funded it needs to use its resources to benefit the UK as a whole – capturing the wider social benefits that justify the provision of publicly funded broadcasting. As Sir David Clementi said in his review, “The BBC will need to do more to engage licence fee payers, and be accountable to them, in the next Charter period. It needs to engage the public as citizens as well as consumers of BBC content.”<sup>133</sup> This will ensure the BBC is providing the right services for the country as a whole, beyond the preferences of individuals.

One of the central functions of the BBC Trust under the current Charter has been to represent the interests of licence fee payers, with the definition of ‘licence fee payer’ being very broad, effectively meaning everyone living in the UK. To engage with licence fee payers the BBC Trust has developed a range of tools to understand people’s views. Some of these, such as Audience Councils, are mandated by the Charter, others have been developed by the Trust itself. For example, the Trust publishes its annual ‘Purpose Remit Survey’ showing research about how audiences rate the BBC’s performance against its public purposes, and how they prioritise what the BBC should be focussing on.

Given how crucial it is to understand how well the BBC delivers for the UK as a whole, the government wants this engagement to become better, more flexible and driven by real need. Under the new model of governance the primary responsibility for this will fall squarely on the BBC’s board. The government expects the BBC to do much more to engage audiences. This is not the kind of activity where government can be prescriptive and it would not be right to impose analogue solutions for a digital age. But this only makes the duty on the board stronger – it must actively develop its own approach to make sure audience and citizen engagement informs its decision making.

This means that the BBC will need to spend a considerable amount of time and effort understanding and reaching out to people in all parts of Britain so that it can shape its services to create the greatest public value, focusing on engagement with the public as citizens as well as consumers. It will be able to build on some of the foundations that the Trust has laid in this area. Complementing the existing outreach programmes with new digital tools should allow the BBC to do this even more effectively than has been possible to date. It will also need to understand the views and citizen/consumer interests of its international audiences.

Ofcom, as regulator, will also have an important supplementary role to play. In the first instance it already undertakes a significant amount of research to understand how people are using media and communications technology, such as through the Communications Market Review and in support of its Public Service Broadcasting Reviews. With its new responsibilities to hold the BBC to account, it will need to make sure it has sufficient understanding of what the public needs and expects of the BBC.

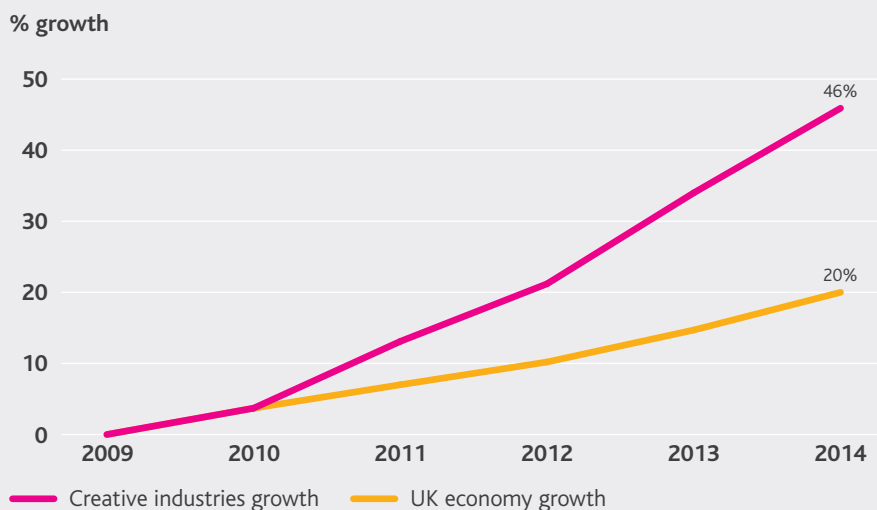
# 4. Supporting the creative sector

|   |    |
|---|----|
| Assessing the BBC's market impact more effectively  | 65 |
| Making the BBC a better partner   | 66 |
| Sharing content and services as widely as possible  | 69 |
| Increasing transparency about the volume and impacts of the BBC's promotion of its own services | 70 |
| Maximising consumer choice – avoiding bidding wars and scheduling sensitively                   | 70 |
| Establishing a new public service content fund  | 71 |
| Opening up the BBC archive further  | 73 |
| Supporting and invigorating local news provision across the UK                                  | 73 |
| Leading the industry in a potential future digital switchover for radio                         | 74 |



The UK creative sector has thrived in recent years, and the BBC is a contributor to its success. The sector has grown at twice the rate of the rest of the economy since 2009 (see box 32), generating £84 billion, or 5.2 per cent, of Gross Value Added, for the UK economy, supporting almost two million jobs and contributing 8.7 per cent of UK service exports.<sup>134</sup> It is critical to both the economic health and wider 'soft power' of the UK that this robust growth continues in the decade ahead. The BBC, given its size and scale, has an important role in enabling this.

**Box 32. The creative industries have grown at twice the rate of the UK economy since 2009**



Source: Department for Culture, Media & Sport, Creative Industries Estimates, January 2016

A number of studies, including the government's market impact study conducted by Oliver & Ohlbaum and Oxera, have highlighted a variety of ways in which the BBC can have positive effects on the rest of the market, these include:

- **crowding-in:** the BBC's commitment to content spending as a whole, and to UK content spending specifically, can encourage other commercial players to spend more of their income on UK content in areas such as news, drama and arts than they otherwise might – the so called 'crowding-in' effect.<sup>135</sup>

- **direct contracting:** the BBC is a major purchaser, spending more than £2 billion, including its in-house production spend, on the services of around 2,700 suppliers involved in making its content. It accounts for around 50 per cent of all original UK content spending by PSBs, of which in recent years over £400 million per year has been contracted out to independent production companies rather than delivered in-house.<sup>136</sup>
- **partnership working:** the BBC often works in partnership with others, enabling other creative organisations to access the creative talent within the BBC and benefit from its reach and reputation.
- **technology spillovers:** the BBC's role in developing platforms such as Freeview, Digital Audio Broadcasting (DAB) and iPlayer has reduced the risks in these developments for commercial broadcasters and has established new patterns of consumer behaviour.

The BBC can, therefore, evidently be a force for good for the broadcasting sector and the creative industries as a whole. However, there is also a range of evidence which suggests that the BBC can have a negative impact on parts of the UK media market. The government's market impact study, for example, noted that the BBC could push up input costs which create barriers to entry, or hamper commercial market growth when public investment through the BBC increases the risk or reduces the return to new commercial investment and so crowds it out.<sup>137</sup> These impacts may be unintended consequences, but they are no less real as a result. There is also some evidence to suggest that some of the positive market impacts of the BBC may be lower than they were at the start of the current Charter ten years ago.<sup>138</sup>

Recognising these effects, regulators have previously blocked some BBC proposals for new services, including the video-on-demand joint-venture between BBC, ITV and Channel 4,<sup>139</sup> and the proposal for BBC One catch-up services (BBC One+1).<sup>140</sup> Concerns have also been expressed, as part of the government's consultation, about the potential wider impact of some of the BBC's future plans, including the impact of proposed music streaming services on commercial providers, and the further commercialisation of bbc.com on other UK media players with global offerings, such as theguardian.com and the MailOnline.

The government wants to see a thriving, successful BBC enabling a thriving, successful and diverse UK media landscape. Given the UK's broadcasting and creative industries are going to face a series of challenges in the coming years, including increasing competition for audiences and content from global platforms like Google, Netflix and Amazon, and with audiences making increasing use of audiovisual content online, it is critical that the BBC leverages its size and scale to maximise its positive potential impacts on the creative sector and minimise any undue negative impact. This will allow both the BBC and the wider sector to flourish in the face of globalisation and technological change.

The new Charter will therefore emphasise that the BBC needs to tread more lightly and considerately around its commercial competitors and that it should promote positive outcomes for others as well as for itself wherever possible. The proposals already set out in Chapter 2, aimed at making the BBC's larger services more distinctive, will have a role here. The plans set out in Chapter 5 to open up more of the BBC's spend to the independent production sector will also benefit the wider creative economy.

The following further measures will enable the BBC to be more market sensitive in the new Charter period:

- the BBC's market impacts will be assessed more effectively;
- the BBC will become a better partner;
- the BBC should share its content as widely as possible;
- there will be more transparency about the volume and impacts of the BBC's promotion of its own services;
- the BBC should avoid bidding wars and the BBC board should carefully consider the impacts of its scheduling decisions;
- the licence fee will create new opportunities for others to provide pluralistic public service broadcasting content in the UK;
- the BBC will open its archive further;
- the BBC will support and invigorate local news provision across the UK; and
- the BBC will lead the industry in a potential future digital switchover for radio.

## Assessing the BBC's market impact more effectively

As set out in Chapter 3, the BBC's new board will have initial responsibility for assessing whether the introduction of new services by the BBC promotes the public interest by striking the right balance between benefitting viewers and listeners (and thus creating public value) and avoiding undue impacts on other services and companies. This is an important responsibility, and given concerns that the BBC has not always been as sensitive to its potential impact on third parties as it needs to be, the new unitary board will need to ensure that it firmly keeps sight of these considerations.

But the ultimate decision on these issues will lie with Ofcom. Ofcom already has a wealth of experience in ensuring that the introduction of BBC services does not cause disproportionate market impacts. Its recent assessment of the BBC's plans to introduce a BBC One+1 channel, for example, found this would likely lead to decreased profitability of commercial competitors,<sup>141</sup> and led to the BBC Trust declining this proposal.<sup>142</sup>

In order to ensure that Ofcom can carry out these functions effectively, the current system of assessing market impacts will be strengthened in two important respects:

– **New powers:** the reformed regime will give Ofcom broad powers as recommended by the Clementi Review. As set out in Chapter 3, there are two important aspects of this approach: (a) Ofcom will freely determine when an issue or a change requires investigation, giving it wider powers than the BBC Trust which must meet a 'significance' test; and (b) intervention will not just be limited to new services: if, for example, incremental changes over time led to notable changes to the BBC's market share the regulator could assess the appropriateness of that independently of whether the BBC had introduced a new service. These broad powers will allow the regulator to take a proportionate approach, able to scale the intensity of investigation and remedy depending on the significance of an issue or change. This will help ensure the strong unitary board is balanced by a strong regulator.

– **Sanctions:** Under the current system there has been insufficient incentive for the BBC Executive to take account of the rulings of the BBC Trust in its regulatory role. In its service licence reviews, for example, on a number of occasions recommendations were made that were then not followed through by the Executive, or only belatedly. The 2010 Service Licence Review for BBC One, for example, called for the channel to improve its distinctive offering by "being more ambitious and taking more creative risks in peak time",<sup>143</sup> but although some progress had been made, the 2014 Service Licence Review for the channel noted that some viewers still didn't "find BBC One sufficiently distinctive in some important ways".<sup>144</sup> A system of regulation that is not backed by sufficient force is clearly an inadequate one, and the new system needs to improve on this. The regulator will therefore have a range of powers to sanction the BBC, including where appropriate through proportionate fines, and the ability to direct the BBC, for example to stop proposed changes or to reduce the scale of services or activities. Systems will be put in place to ensure that any proceeds from financial sanctions on the BBC are not mingled with general taxation.

The regulator will also need to ensure that the nature of decision-making in terms of assessing the public value of BBC proposals does not bias non-commercial interests over commercial ones: concerns have been raised that under the previous system the 'benefit of the doubt' has at times been given in favour of proposed changes even when there were significant negative impacts on the wider market and the public value was questionable. It would not, however, be appropriate – as some have proposed – to go further and formally bar the BBC from any actions that might have a major potential negative market impact. Ofcom will need to take a view on the benefits identified and will carefully consider the proportionality of those gains against any downsides, paying particular attention to the question of whether a proposal may cause significant harm to competition.



Under the current Public Value Test regime, where a decision is debatable, the default position appears to be to approve a new service. For example, the BBC Trust recently provisionally approved the extension of CBBC's hours to 9pm. This was despite the Trust's audience research finding that 'respondents were, on the whole, opposed to extended hours.'

COBA<sup>145</sup>

### Making the BBC a better partner

The BBC is a diverse organisation with outstanding creative resources and skills at its disposal. Reaching almost the whole of the UK's population via television, radio or online, it is uniquely placed to connect large audiences with ideas and content. However, the BBC can be even more successful if it harnesses the creativity and inventiveness of others and can create enormous value by lending its reach and expertise externally. Working and delivering in partnership with others is a key theme for the BBC and for organisations who seek a platform for public value content, particularly in the educational, sporting and cultural sectors.

The BBC has delivered very successful projects with a range of cultural partners during the current Charter, and there is a general consensus that it has improved its partnership working in recent years, in part due to the leadership shown on this issue by the current Director-General. Flagship partnerships have been delivered with the British Museum, the Imperial War Museum (see box 33), and the Royal Shakespeare Company (RSC) for the 400th anniversary of Shakespeare. There are a wide range of other cultural partnerships which provide great value for viewers and listeners. Radio 3, for example, has supported live classical music events outside of London, including festivals in Lichfield, Cheltenham, Bath and Huddersfield.

### Box 33. The BBC as a successful partner



**First World War Centenary:**<sup>146</sup> the BBC worked with the Imperial War Museum (supported by the Arts and Humanities Research Council) to mark the Centenary of World War 1. This landmark four-year programme (2014-18) has already helped to create over 130 specially commissioned programmes and around 2,500 hours of programming including *World War One At Home*, which is collecting over 1,400 stories from places around the UK which still bear traces of war. The BBC also worked with the Imperial War Museum to preserve and digitise the archive material of the landmark 1964 series *The Great War*.



**'A History of The World in 100 Objects':**<sup>147</sup> the partnership between BBC Radio 4 and the British Museum produced the hugely successful radio show and book, which explored the history of the world through a series of manmade objects in the British Museum's collections. The 100-part radio series was described by The Guardian as a 'broadcasting phenomenon',<sup>148</sup> and the interactive website encourages museums and individuals to submit objects relating to different time periods or themes. Visitors to the British Museum can view the original 100 objects on display in its galleries.



**'This Girl Can':**<sup>149</sup> the BBC continues to support Sport England's highly successful 'This Girl Can' strategy, a national campaign to inspire women of all ages to exercise. This includes producing a 'This Girl Can Too' promotional video featuring the BBC's female presenters and providing links and promotion through its own participation-oriented sporting initiative, 'Get Inspired'.

Similarly, the BBC worked closely with partners such as the National Theatre Wales, with whom it established the Wales Drama Award, and in Scotland the BBC joined a number of partners to deliver a 16-day cultural programme of free and live BBC events to accompany the Glasgow Commonwealth Games. The BBC can also deliver important outcomes through working in partnership with sports organisations. Many respondents to both the Charter Review consultation and the consultation on the government's new sport strategy<sup>150</sup> highlighted the important role the BBC plays for sports in Britain.

The BBC has a long history of showing nationally significant live sporting moments, from Wimbledon to the Olympic Games. It also helps to introduce audiences to sports that may not otherwise reach mainstream audiences, for example in its coverage of World or European Championships in sports like swimming, gymnastics and hockey. And its partnership work such as its support for Sport England's 'This Girl Can' campaign, for example, further promote sport participation. The government wants to see the BBC further enhance the partnerships it builds in sport to help deliver the key outcomes that we know engagement in sport and physical activity can bring.



We are often told that partnership is something we seem to do to people, rather than with them. In the next Charter, that must change, as we learn how to work in a genuinely collaborative way with like-minded institutions, with suppliers, individuals and competitors.

British. Bold. Creative. BBC, September 2015

However, while many stakeholders have told the government that the BBC remains a coveted partner, there are areas where it could improve. These include the following:

- **Partnering 'with' not 'to'** – some have described the BBC as previously taking an approach of having partnering done 'to' them, not collaboratively and mutually 'with' them. Some of the BBC's most successful partnerships have been those where it has been partnering 'with' not 'to' and the BBC appears to have learnt from some of its past experiences here, but as it itself acknowledges (see quote above), further progress is possible.
- **Focusing on the long term** – the long-term funding and Charter framework for the BBC makes it uniquely well placed to focus on longer-term horizons, and avoid a short-term style of 'fly-in, fly-out' partnership.
- **Better coordination** – the Director-General has recently appointed a Head of Creative Partnerships to improve coordination and clarity of the BBC's partnership approach, but there is more that could be done.

- **Focusing more on potential market impact** – the BBC needs to be sensitive to the market impact of some of its partnerships. Its heavy promotion of certain large festivals, for example, can have negative impacts on smaller local and regional festivals.
  - **Engagement with SMEs** – while it is right that the BBC also works with large established players such as the Open University, RSC and the British Museum, it should also ensure that in its tendering and partnership strategy it is placing sufficient priority on engaging smaller organisations as well as individual artists.
  - **Integrating editorial and commercial negotiations** – while the BBC effectively integrates editorial and commercial issues relating to rights and contracting in its negotiations with its commercial broadcasting partners, it is less clear that this is the case with some of its more 'creative' partnerships: discussions about commercial issues can take place at a late stage and therefore risk jeopardising the success of the partnership.
  - **Incentivising partnership working on television** – it is not clear that all those responsible for budgets in the BBC are appropriately incentivised to prioritise partnerships (or the public value they can provide) over delivering on other aspects of their day-to-day role. This is particularly the case with television which has, in general, far less of an established track record of successful partnership working than radio, and where stakeholders have said that the BBC appears to be less open to taking the associated risks.<sup>151</sup> Opening up television to more partnership working should therefore be a priority for the BBC and the board may want to assure itself that the depth and breadth of partnerships on radio is replicated on television.
- These issues are primarily matters for the new unitary board to consider and address. But the government also sees that working in partnership is a way in which the BBC can multiply the public value that comes from the licence fee, by enabling others to connect with audiences. Therefore the new Charter will ensure that positive engagement with the wider market, and partnership working in particular, is a natural part of the BBC's way of operating. The new Charter will require the BBC to prioritise collaborative working where to do so would provide public value, and to ensure that its partnerships are fair and beneficial to both parties. The government also expects that the new board will consider how best to report on working in partnership with others and what metrics it could include in the relevant regulatory documents to ensure that the public can assess whether the BBC is enhancing the breadth, depth, quality and positive impact of its partnerships.

## Sharing content and services as widely as possible

As the media environment has changed substantially, there are increasingly more ways in which BBC services and content can be consumed, on a wide range of devices and through many different portals and platforms. The BBC itself is committed to a strategy of making its full range of content available where the consumer would expect it and in ways that secure appropriate prominence, attribution, quality and value for money. The BBC iPlayer is the most widely available video-on-demand service in the UK, available on over 10,000 devices and platforms. However, BBC video-on-demand content is not currently available to watch outside BBC iPlayer on some leading pay-TV apps.

As viewing habits change and services develop, the BBC's approach to where and how it shares services and content will need to keep pace with where and how audiences consume content, ensuring that it delivers against its commitment to make BBC content as widely available as possible. With more than half of all households taking subscription-based services, the BBC needs to consider how it can continue to make services and content available to viewers who use other platforms and applications to watch content.

During the government's consultation, pay-TV operators highlighted that the BBC relies on the iPlayer as the main way in which viewers can access BBC content. While the government believes that the BBC must make sure that viewers have appropriate access to BBC content – whether that be on its own platform (the BBC iPlayer), or those operated by others – the BBC also has a duty as a public service broadcaster to ensure that its content is given appropriate prominence, findability and attribution on those platforms run by others, and should have the flexibility to secure these public benefits in commercial negotiations.

The BBC should look to maximise the opportunities it has to make its services and content as widely available as possible and it should only place reasonable conditions on how its content is distributed. The BBC can rely on a proprietorial approach but only where the public interest is best served by this.

It is for the BBC board to set and publish a strategy and policy on distribution – consulting industry – and for the BBC to pursue distribution arrangements in line with that strategy. The regulation of this part of its work will be part of Ofcom's Operating Framework for the BBC as set out in Sir David Clementi's review. Any complaints about the BBC's distribution arrangements should go to the new BBC unitary board with appropriate appeals to Ofcom.



**56%** ▲

56 per cent of UK households have a pay TV subscription, up from 44 per cent 10 years ago

Source: Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, 2016

### **Increasing transparency about the volume and impacts of the BBC's promotion of its own services**

The BBC, like other broadcasters, promotes its programmes and services across its television channels, radio stations and online services via trailers and links. Promotion of this kind can benefit audiences, allowing them to hear about programmes which might interest them, and thereby bring the BBC's unique public service content to the widest range of audiences.

However, given that the BBC is perceived as being 'advertisement free' there are legitimate questions to be raised about the extent to which it should be using its valuable airtime on either television or on radio advertising its own programmes. The BBC also needs to balance the positive impacts on audiences with the potentially difficult consequences of this for other providers: the BBC's popular television services can confer significant reach when they promote shows on BBC radio stations. While commercial television channels have the same ability as the BBC to promote their own programmes across their own portfolio of channels, the BBC is the only scale broadcaster with an extensive portfolio of services across television, radio and online platforms, and only it can promote its own radio services on television for free. It therefore occupies a position in which it needs to be mindful of the consequences of its own actions.

This is particularly the case given the lack of clarity about the extent to which the BBC's promotion activities are focused on drawing attention to less well-known or high-value public service content, as opposed to advertising already popular programmes and stations with a view to maximising overall audiences.

The new Charter will make clear that any promotion should focus on showcasing high public value content and that this needs to be carried out in a way that is sensitive towards the rest of the market. This will be the responsibility of the BBC board. But the government is clear that the board should ensure that promotions should be tied closely to supporting the BBC's public purposes rather than driving market share.

Under the new Charter the BBC board will also need to publish information or relevant metrics on all its promotion activities, including the amount of promotion of public service content. This should include the number of minutes of promotion it undertakes and time of day. This will provide greater transparency relating to the BBC's operations and allow the public and the wider market to assess whether the BBC's activities are proportionate.

Under the current Charter the BBC Trust regulates the BBC's cross-promotion of its commercial services through its UK public services, as part of its fair trading guidelines. In the next Charter period Ofcom will regulate such cross-promotion activity (the BBC's promotion of commercial propositions) within the new Operating Framework. As part of the process of issuing this Framework, Ofcom will consult publicly, giving industry an opportunity to comment on the impact of these current practices. This will enable Ofcom to set rules around the BBC's cross-promotion of commercial services through its UK public services.

### **Maximising consumer choice – avoiding bidding wars and scheduling sensitively**

The extent and potentially adverse effect of competitive scheduling between the BBC and competitors was an issue raised during the course of Charter Review. The government's recent market impact study conducted by Oliver & Ohlbaum and Oxera analysed this issue and concluded that overall the extent of competitive scheduling was unclear. How schedules are made and agreed is a complex and dynamic process. However, econometric analysis of scheduling slots and associated revenue impacts for ITV did suggest that scheduling on BBC One is probably reducing the relative profitability of drama series in particular, with ITV drama viewing down around six to eight per cent when clashes occur.<sup>152</sup> ITV has in turn indicated that this loss of viewers and advertising revenue has a potential adverse effect on incentives to invest in such content.



While the use of digital recorders and catch-up viewing is increasing, the majority of people still watch television live and scheduling does effect which programmes licence fee payers can watch and enjoy.

The government is clear that it cannot and indeed should not determine either the content or scheduling of programmes. And schedule clashes are clearly not the responsibility of one particular operator in the market. We expect the BBC board to consider the best interests of viewers – giving them a choice and variety of shows to watch, and carefully consider any potential undue negative impacts of its scheduling decisions.

There is a further issue relating to 'bidding wars' for programme rights. In general, the BBC should be commissioning new content rather than buying previously made content from others and it is indeed the largest investor in original UK programming. Purchasing ready-made content from others can provide public value at times by bringing previously unseen, high quality programmes to UK audiences. The BBC introduced 'Scandi drama' in the UK through *The Killing*, for example, which was first aired on BBC Two.

But while the government would like to see the BBC continue to ensure that UK audiences have access to quality content from abroad, it would also like to see due restraint by the BBC through a focus on buying programmes which would be unlikely to be shown by other free-to-air broadcasters in particular. Guaranteed income via the licence fee allows the BBC to take risks and trial new things with British audiences. If other free-to-air broadcasters are willing to pay for acquired content made overseas and make it available to UK audiences there will often be little or no public interest in the BBC becoming engaged in a battle for that content (particularly for rights other than sports) bidding up the price, or spending licence fee income on something which could be provided by others.

### **Establishing a new public service content fund**

The licence fee is a fee paid by the general public to watch or record television programmes. This applies regardless of which television channels a person receives or how those channels are received. The licence fee is not a payment for BBC services or any other specific television service, although licence fee revenue is used to fund the BBC. While almost all the licence fee income is currently provided to the BBC, that has not always been the case – indeed 12 per cent was used for other purposes prior to 1962 and £75 million of the licence fee is still used to fund public service content on S4C, for example.

It is the government's view that while the licence fee continues to be paid for receipt of television services a small proportion of the licence fee may be available to organisations other than the BBC to help deliver quality and pluralistic public service content, using competitive forces to ensure the highest quality for the best value for money. This approach may help deliver appropriate volumes of certain valued public service genres which Ofcom recently identified as in decline, and stimulate plurality within public service broadcasting in areas such as children's programming where the BBC has a near-monopoly and where contestability might deliver new, fresh content. This system has operated abroad in both New Zealand and Ireland for a number of years.

The government therefore intends to pilot – on a small scale – a contestable fund for public service content in the next Charter period. This will be available to organisations to create public service broadcasting content which would need to be shown to the UK population on a platform with an appropriate reach and be free-at-the-point-of-use (for example, content could be shown on Channel 4, Channel 5 or ITV).

The contestable public service content fund will receive up to £60 million of funding for two-three years (planned £20 million per annum) after which the impact of the scheme will be assessed and a decision taken about whether to close, maintain or grow the scheme. Funding will be directed from unallocated funding from the 2010 licence fee settlement, to help support a series of priority areas in public service broadcasting provision. This money is additional and separate from the funding agreement that the government and the BBC reached in July 2015.

The government will consult on the most appropriate body to administer this new fund and on the criteria for the scheme over the coming months. It is anticipated that the scheme will include funding for children’s programming (where there has been a 21 per cent reduction in public service broadcast investment since 2009<sup>153</sup> in part due to stricter advertising restrictions) and potentially one or more of the other genres identified as ‘at risk’ by Ofcom in its third public service broadcasting review.<sup>154</sup> It could also be used to support content for those audiences that are underserved by public service broadcasters at present (such as BAME audiences or audiences in the nations and regions) to support greater diversity in programme making, both on and off screen. The intention is that the fund will be operational to make its first grants in 2018/19, subject to state aid approval from the European Commission.

**Box 34. New public service content fund**

A fund of £20 million a year for a two-three year trial period, starting in 2018/19. Available for content on television or shown online and focused on under served genres, as identified by Ofcom, and under served audiences.



**Possible underserved genres the fund could focus on:**

- children’s programming;
- religion and ethics;
- formal education; and
- arts and classical music.



**Underserved audiences:**

- diverse audiences/BAME and groups with protected characteristics; and
- nations and regions.



**In addition the scheme will need evaluation criteria against which bids will be assessed; government will consult on these in the autumn. These could include:**

- value for money (including likely impact and reach);
- creative risk-taking;
- innovation;
- leveraged funding (to allow co-funded bids); and
- content in English or a UK minority language.



**How would bids be assessed?**

- Applications considered by a small panel of industry figures who would be appointed by the organisation administering the fund.
- All funding applications to have secured distribution on a free-to-air broadcaster/online publisher so available free to those who have funded it.
- Could require investment to be balanced between a variety of mainstream programmes for large audiences and specialist or niche audience output.

### Opening up the BBC archive further

The BBC has a rich, near 100-year legacy of programme making. That content, besides offering the potential to be exploited commercially, can act as a unique lens on British and global history, as well as informing and inspiring those in education and academia.

The BBC archive is, therefore, a valuable asset for the nation. The BBC's Genome Project (launched in 2010) estimated there to be more than a million archived programmes, as well as extensive collections of documents, still images, sheet music, artwork and physical objects. Although the BBC has made great strides towards digitisation in recent years, much of the archive remains in its original state – only a small proportion of its archive has been digitised to date.

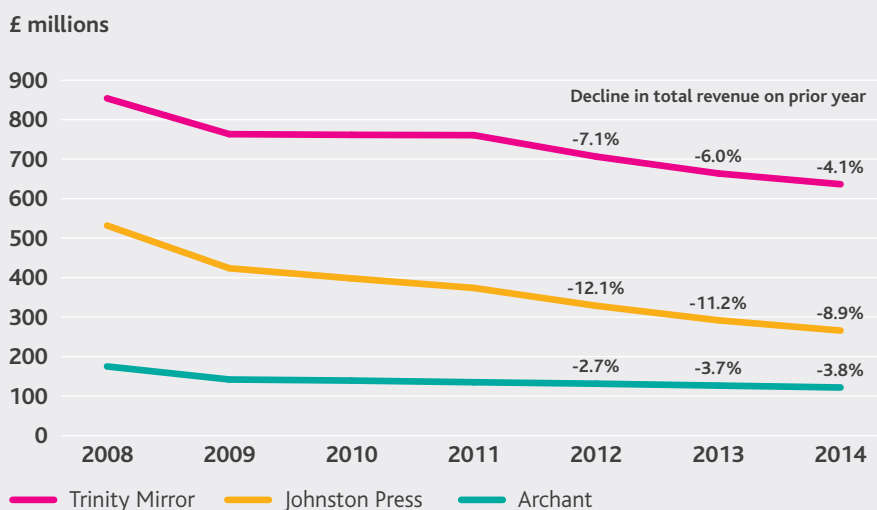
In 'British, Bold, Creative', the BBC set out a vision for the creation of a new 'Ideas Service', which could have a significant impact on how audiences and third party institutions access and use the BBC's archive. The BBC sees significant potential in curating content from across the BBC and from partners – using both new content and mining the richness of the archive to help explain the world around us. Of course there are limits to what can be achieved cost-effectively, as securing rights for that content can be complex, time-consuming and therefore costly.

As part of the Ideas Service, the BBC already has plans to make available a significant amount of its historical content in digital format as well as act as a platform for digital content from partner organisations such as museums and universities. The government welcomes this commitment and encourages the BBC to do more to open up its archive and ensure that it can be used by the public and as wide a range of institutions and organisations as possible. There should be particular scope to do more to enable access to BBC historic news archive given the low costs of securing rights relative to other output.

### Supporting and invigorating local news provision across the UK

Local and regional news provision in the UK is a key element of our plural media landscape – reporting on issues that matter to the communities they affect and helping hold decision-makers to account. However, the industry has faced challenging times: the circulation of regional newspapers has seen an average annual decline of almost seven per cent between 2009 and 2013 and revenues have suffered similarly (see box 35).<sup>155</sup> This is in large part attributable to the increased role of the internet: while many local news providers are making great strides in transitioning their audiences online, the monetisation of this move remains challenging.

**Box 35. Regional press revenues have been in decline**



Note: Trinity Mirror numbers include both national and regional revenues, since these are not reported separately in recent years.  
 Source: O&O for NMA, The news market in the 21st Century and the likely implications for the BBC's role, 2015

The government expects the BBC to use its privileged position to support the provision of news and information and specifically we expect to see a positive partnership with the local news sector. The BBC has set out proposals about how it would like to do this:

- a News Bank – syndicating audio and video content for local and regional news organisations across the UK;
- a Data Journalism Hub – partnering with a university to make data journalism available for news organisations across the UK;
- an Independent Audit of Local Content – looking at usage of local press content by the BBC on its media platforms and vice versa; and
- a Local Public Sector Reporting Service – investing in a service to report on local institutions.

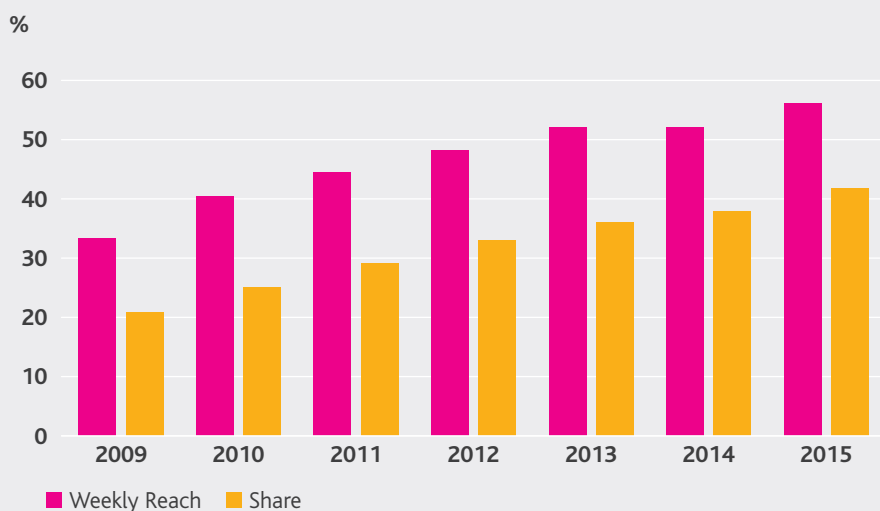
The government welcomes this focus, but recognises that these plans will need to be implemented in consultation with industry. In particular, there are details about the Local Public Sector Reporting Service which still need to be resolved. The BBC has been working with the News Media Association (NMA) to develop proposals and good progress has been made in agreeing the principles of such a service that sees the BBC providing some funding for local journalists to provide reporting for use by the BBC and other news providers. These proposals could provide a positive contribution to the diversity and quality of local news provision. The government welcomes the BBC's commitment to continue to work with the industry to develop and implement these plans and its commitment to provide funding for 150 journalists from 2017, given the public interest in a plurality of local and regional news provision. This number could rise to 200, subject to the outcome of a joint review of usage and funding in 2019.

These proposals will sit alongside the BBC's existing local services which the government wants to see continue to thrive. The provision of local news and current affairs are vitally important to the communities they serve, for example, BBC local radio provided essential information to listeners during the floods resulting from Storm Desmond.

#### **Leading the industry in a potential future digital switchover for radio**

Over the current Charter period the BBC has played an important role in developing the market for digital radio in the UK, which has seen significant growth over the past few years (see box 36). The BBC has four national digital-only radio stations and has extended Digital Audio Broadcasting (DAB) coverage of its national services to over 97 per cent of households. The BBC has also supported the investment being made by the Department for Culture, Media & Sport and commercial radio to extend local DAB coverage to match commercial FM coverage by the end of 2016. The government expects that over the next decade the BBC will continue to support the transition from analogue to digital radio and to strengthen its partnerships with commercial radio and industry stakeholders.

**Box 36. Digital radio listening in the UK has seen a steady increase**



Weekly Reach: The number as a percentage of the UK/area adult population who listen to a station for at least five minutes in the course of an average week  
 Share: The percentage of total listening time accounted for by a station in the UK/area in an average week  
 Source: RAJAR, Market Trends, 2015

In addition, the BBC should develop arrangements to deliver and procure with third party organisations, as appropriate, support for the most vulnerable listeners at risk of losing BBC radio services after a switchover, and to make appropriate arrangements to deliver this scheme with or through third-sector organisations. These arrangements would need to be agreed as part of the government’s decision to proceed and in the context of future funding settlements for the BBC.

A decision about whether or not to proceed with a radio switchover is likely to be taken by the government at some point during the next Charter period. This is not a decision that can or should be taken at this stage. However, if the decision is taken to switch, the government expects that the BBC will take a leading role in that transition, working in partnership with commercial radio. In doing so the BBC must consider the best way to enable the wider radio market to flourish whilst managing its own impact.

In response to a decision to proceed with a future radio switchover, the government would expect the BBC to complete the final phase of its national DAB network so that its coverage is equivalent to FM coverage, subject to value for money considerations. In doing so, the BBC will need to ensure that coverage of BBC Nations services in Scotland, Wales and Northern Ireland in DAB also fully matches FM coverage ahead of a switchover taking place. The government would also expect the BBC to ensure that appropriate enhancements were made to its local DAB coverage in England – subject to value for money – and to reach agreement with commercial radio on sector-wide marketing plans, as well as the arrangements and funding for the delivery phase of switchover.

# 5. Enhancing efficiency and transparency

|  |    |
|--|----|
| Opening up more commissioning to competition   | 78 |
| Providing in-principle support for the BBC's proposal to establish its production arm as a new commercial subsidiary (BBC Studios) | 82 |
| Giving the new unitary board responsibility for delivering efficiency across the BBC's activities, including pay and staffing      | 83 |
| Increasing transparency of BBC spending  | 85 |
| Reviewing and regulating the BBC's commercial subsidiaries and ensuring they operate fairly and efficiently                        | 85 |
| Introducing more independent scrutiny about how effectively the BBC spends its funds   | 87 |
| Continuing and improving the BBC's leading role in technology and research and development   | 89 |

The BBC is a publicly-owned institution granted unique and significant privileges, including nearly £4 billion of public funding a year.<sup>156</sup> While it is editorially and operationally independent, this position requires that it is scrutinised effectively for the decisions it takes and the efficiency with which it spends its money.

The BBC has operated a rolling series of efficiency programmes over the last two decades, beginning with the 'Producer Choice' programme, which began the process of opening up BBC production to competition, and culminating in 'Delivering Quality First', its current efficiency programme. As part of this the BBC is planning to make £1.5 billion of savings by 2016/17.<sup>157</sup>

The Delivering Quality First programme has already delivered significant results: the BBC has reduced its management costs by 13 per cent since 2011<sup>158</sup> and its overhead costs stand at 7.6 per cent, with the BBC planning to be in the top quartile of comparable organisations by next year.<sup>159</sup>

But it is clear that significant challenges remain. Only 23 per cent of people said in nationally representative polling that the BBC is efficient in how it spends its money. And the BBC itself recognises that striving for greater levels of efficiency is a continuous process.<sup>160</sup> Its own analysis suggests that £200 million of additional annual savings can be delivered by 2021/22,<sup>161</sup> and there are legitimate questions about the extent to which the BBC is operating as efficiently as possible in a range of areas.

As part of this Charter Review, the government has therefore considered how the BBC can better harness the full potential of the funding it receives and how the BBC's management can be set the right incentives to ensure the efficient use of public funds. This will, of course, be a central area of the of the new unitary board's responsibilities. In addition, during the next Charter the BBC will be both enabled and compelled to operate more efficiently through competition, transparency and scrutiny.

Specifically, the government will:

- open to full competition the £740 million<sup>162</sup> the BBC spends each year on in-house television content production (with the exception of news and news-related current affairs), concluding a process first started in the 1990s;
- provide in-principle support for the BBC's proposal to establish its production arm as a new commercial subsidiary (BBC Studios);
- enshrine greater public scrutiny of BBC spending through the National Audit Office;
- require greater transparency of BBC spending on its staff, talent and its output;
- ensure the BBC's commercial subsidiaries are reviewed and regulated to operate fairly and efficiently; and
- require the BBC to undertake a detailed review and value for money assessment of its current R&D activity.

### Opening up more commissioning to competition

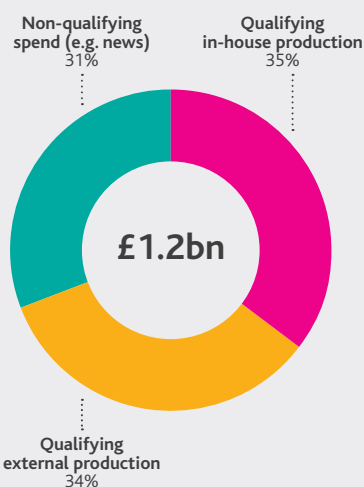
The BBC is a substantial commissioner and producer of original public service content. It currently spends over £1 billion a year in the UK's creative economy,<sup>163</sup> in addition to the £740 million it spends on producing television content in-house.<sup>164</sup> During this Charter period, the BBC has opened up more of its content production to competition via a 'Window of Creative Competition' for its television and radio content production. There are now also quotas for the amount of BBC content that must be made by qualifying independent producers across television, radio and online. In television, for example, 50 per cent of qualifying hours are guaranteed to in-house production, 25 per cent are allocated to independent production companies not owned by broadcasters (qualifying independents), and 25 per cent are competed between BBC in-house production and qualifying and non-qualifying independents, with less competition in radio and online (see box 37).

**Box 37. Main existing BBC content quotas (in per cent)**

|                                  | Statutory quotas | BBC Trust-imposed framework |                 |
|----------------------------------|------------------|-----------------------------|-----------------|
|                                  | Television       | Radio                       | Online          |
| In-house production <sup>A</sup> | 50               | 80                          | 75              |
| Independents                     | 25 <sup>B</sup>  | 10                          | 25 <sup>C</sup> |
| Open to full competition         | 25               | 10                          | n/a             |

A A minimum guarantee for television and a maximum for in-house radio and online content supply.  
 B Qualifying independents only.  
 C In fact, 30 per cent of qualifying online content spend was allocated to independent suppliers in 2014/15.

**Box 38. Overview of BBC original UK television content spend 2014**

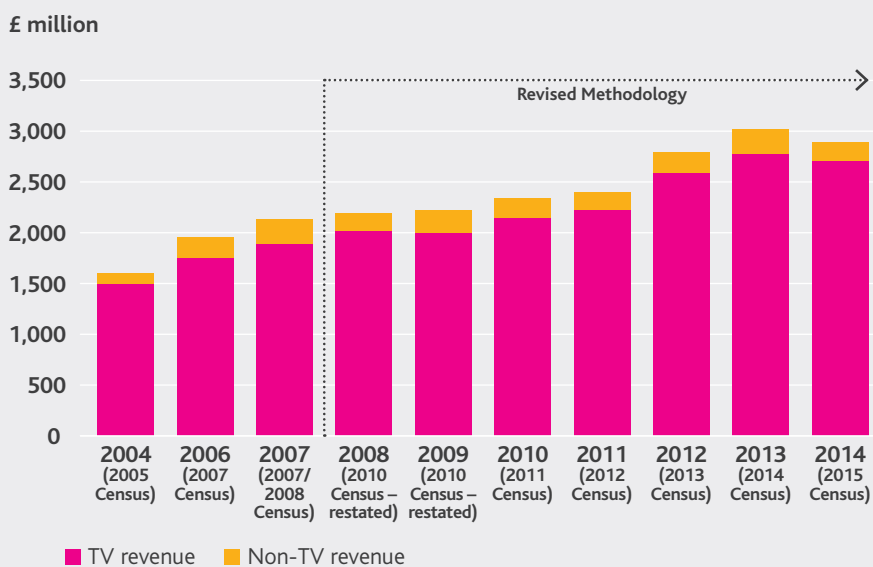


Source: Based on data published by BBC Trust and Ofcom

Competition has increased commissioner choice, making sure that commissioners have access to and can choose from the best creative talent to drive up the quality of the shows we watch and listen to, and has also helped ensure licence fee payers get value for money by subjecting a proportion of the BBC's budget to market forces. Notably, of the 25 per cent of television content production for which the BBC's in-house production unit competes with independent producers, the latter typically win 80 per cent, although this varies substantially by genre. This regime has also helped the UK's independent television production to grow to £2.9 billion<sup>165</sup> a year (see box 39), and Ofcom's latest analysis shows that 259 companies<sup>166</sup> are producing content for the public service broadcasters.



**Box 39. Independent producer revenues by TV and non-TV activities**



\* Non-TV revenue includes corporate production, new media and other non-TV activities such as online publishing, talent  
 Source: Oliver and Ohlbaum report for Ofcom, Trends in TV Production, 2015

This raises the question of whether further reforms could deliver further benefits: for the BBC, for the independent sector in television production, for the burgeoning and emerging independent sector in radio and online content production, and most importantly, for licence fee payers, by making the best content in the most efficient and cost-effective way. As the BBC Trust has noted, *“the BBC’s current framework of quotas needs to be reconsidered to ensure the Corporation retains the ability to secure high-quality and creative content on behalf of the licence fee payer.”*<sup>165</sup>

The market has been characterised in recent years by mergers and buy-outs of some of the UK’s most successful independent producers – a sign of the commercial and creative success of the UK production industry – but the market remains dynamic with between 77 and 136 new companies starting up in each of the last four years.<sup>167</sup>

The content production reforms of the last Charter have undoubtedly been successful. Many of the BBC’s best-loved programmes are made by independent producers, including *Sherlock*, *Question Time*, the *Graham Norton Show*, *University Challenge* and numerous others (see box 40 for award-winning examples).

**Box 40. Examples of award-winning independently-produced content for the BBC**

**Television** 

**Sherlock**

produced by Hartswood films

- Winner, Best Drama Series at 2011 BAFTA Awards
- Winner, Outstanding Lead Actor in a miniseries (Benedict Cumberbatch) and Outstanding Supporting Actor in a miniseries (Martin Freeman), at the 66th Primetime Emmy Awards

**Line of Duty**

produced by World Productions

- Winner, Best TV Drama at the 2014 Freesat TV Awards
- Winner, Drama Series at the 2015 Royal Television Society Awards

**My Life: I Am Leo**

produced by Nine Lives Media

- Winner, Children’s Programme at the 2016 Royal Television Society Awards
- Winner, Best Factual at the 2016 International Kids’ Emmy Awards
- Winner, Best Factual at the 2015 BAFTA Children’s Awards

**Radio** 

**Radcliffe and Maconie**

6Music, produced by Smooth Operations

- Silver, Music Radio Personality of the Year award at the Radio Academy Awards 2014

**Just Silence**

Radio 1, produced by Just Radio

- Gold in the Best Documentary award, Radio Academy Awards 2013

**The Danny Baker Show**

5Live, Produced by Campbell Davison Media

- Gold, Speech Radio Personality of the Year, Radio Academy Awards 2014
- Gold, Best Entertainment Programme, Radio Academy Awards 2013

**Online** 

**The Dumping Ground: You’re The Boss**

developed and produced by CBBC Interactive and Somethin’ Else

- Winner, Best Interactive (Adapted) at the 2015 BAFTA Children’s Awards

The Director General, in a speech in 2014 said that *“competition is good for the BBC and I want more of it.”*<sup>169</sup>

The government agrees. While the BBC’s own proposals for content production reform go some way to harnessing the benefits of greater competition (the BBC has proposed lowering the level of in-house guarantees from 50 per cent in some genres and entering into a voluntary commitment of 60 per cent of radio hours being opened up to the market within six years), the BBC can be more ambitious in its approach to commissioning content, particularly television content, such that licence fee payers get both the best possible content and value for money from the funds the BBC invests, at the earliest possible opportunity.

The government therefore proposes full competition for all the BBC’s television and online content spend, and will remove all existing in-house guarantees, with the exception of news and news-related current affairs. This change will empower commissioners to select the very best content for licence fee payers, from the BBC’s own producers and creative talent as well as from independent producers.

The BBC will continue to have to meet the independent production quota in television, and the government will also retain production quotas in the nations and regions.

This is a significant change for the BBC. It goes further than the BBC agreed with the Producers Alliance for Cinema and Television (PACT) in December 2015 as in addition to that agreement, which the government expects the BBC to deliver whether or not BBC Studios receives regulatory approval, there will also be full competition in television for children’s, sports, non-news related current affairs content and returning series.

## 5. Enhancing efficiency and transparency

A change of this magnitude in markets at very different stages of development needs sufficient transitional time. Therefore, in addition to the opening up agreed by the BBC and PACT, namely at least 40 per cent of the existing in-house guarantee within the first two years to 2018, the government proposes that:

- the BBC will reach 100 per cent competition (except in news and news-related current affairs) by the end of the Charter period, demonstrating immediate progress, subject to the new BBC unitary board identifying any exceptions on value for money grounds;

- the government’s proposed mid-term review will assess the effectiveness of the approach to content commissioning; and
- children’s, sports and non-news related current affairs will be fully competed by 2019;

For radio, the new Charter will require the BBC to compete a minimum of 60 per cent by 2022, in line with the agreement with Radio Independents Group (RIG).

For online, 100 per cent of the BBC’s non-news online content will be open to full competition by the end of the Charter period.

The mid-term review will also assess the effectiveness of this new approach to competition in radio and online.

As noted above, there will be one exception to this new regime. To ensure there is sufficient plurality in the supply of news, and given the practical difficulties in opening up the BBC’s news provision to competition, the government will continue to exempt the BBC’s news and news-related current affairs output from the approach of full competition.

### Box 41. Overview of BBC television content production quotas (excluding news and news-related current affairs)

#### Current situation



#### BBC + PACT proposal



No less than:  
40% in Current Affairs  
40% in Children’s  
50% in Sport

Potentially open to competition in future depending on decisions by BBC Commissioners

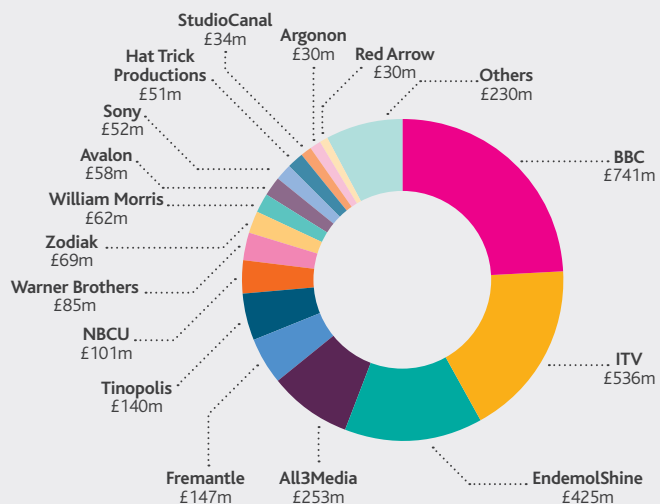
No more than:  
20% in Current Affairs  
20% in Children’s

No less than:  
40% in Current Affairs  
40% in Children’s

#### White paper proposal



### Box 42. The BBC is the biggest player in the UK content production market (companies by revenue, 2014)



Source: Ofcom, Review of the operation of the television production sector, 2015

Taken together, these reforms will open up hundreds of millions of pounds of BBC spend to competition.<sup>170</sup> This will provide a welcome boost to the creative economy but fundamentally it is about ensuring the BBC secures the best possible creative ideas and provides audiences with the best possible content at the best possible price. Not only does competition bring in new ideas – it also drives and inspires the BBC's own creative talent and production staff to new heights.

### Providing in-principle support for the BBC's proposal to establish its production arm as a new commercial subsidiary (BBC Studios)

The BBC first announced in 2014<sup>171</sup> that it plans to move a significant proportion of its in-house programme-making capacity into BBC Studios, a new commercial subsidiary. This new company would compete for programme commissions from the BBC as well as from other broadcasters both in the UK and internationally.

The BBC proposals are designed to make its own production capability resilient for a future with increasing competition for commissions, including from global players. The BBC hopes that giving BBC production staff the opportunity to work for more than one potential customer, as is currently the case, will give more creative freedom to the people that BBC Studios will employ and make it an attractive employer for the best talent.

But importantly, it would also make the BBC more efficient. On the basis of positive experiences in the past, the BBC believes that exposing BBC productions to the discipline and competition of the market will result in improved efficiency of its productions: the BBC achieved significant efficiencies of around six per cent a year during the 1990s after the Broadcasting Act 1990 opened up 25 per cent of television content to external producers.<sup>172</sup>

Establishing the BBC's production unit as a commercial player is a significant move. The BBC believes its production arm, housed in a new commercial subsidiary, would initially receive around 15 per cent of all UK commissioning spend. This would make it one of the largest production companies in the UK with estimated revenues of approximately £400 million at launch.<sup>173</sup>

Noting the potential for market distortion from a change of this nature, a number of stakeholders voiced concerns about this proposal during the government's consultation. Some of these related to the number of returning series transferred automatically to BBC Studios at its launch, which is addressed above. But there are also concerns about the potential lack of effective separation of BBC Studios from the rest of the BBC group. A lack of clarity over this separation could result in market distortion, since BBC Studios is supposed to operate as a commercial business without any element of public subsidy through the licence fee, operating on a level playing field with commercial producers. By winning contracts from others there is also the risk that this could shrink a flourishing sector.

The BBC has worked with PACT to tailor the BBC Studios proposal<sup>174</sup> to address some of these concerns. However, their agreement also notes that BBC Studios needs to be subject to a number of safeguards to make sure that it operates fairly. This view was endorsed by Ofcom, which noted that BBC Studios had the potential to be a pro-competitive development if appropriately regulated.

Recognising Ofcom's preliminary view that BBC Studios could be a pro-competitive move for the UK's television production market, the government is pleased to give 'in-principle' support to the BBC's proposals, subject to them passing the appropriate regulatory tests and requirements: it is essential that the new BBC Studios will trade fairly and without advantage through the licence fee. This support is also dependent on the successful adoption of the government's proposed approach of full competition in content spend and the removal of the BBC's existing in-house guarantees (except for news and news-related current affairs) as outlined above. When the BBC provides further detail about BBC Studios the whole proposal will be subject to rigorous scrutiny, consultation with industry and final approval by the BBC's regulator, to ensure appropriate separation from the BBC's public services.

The government hopes these concerns can be addressed and overcome and believes that the new approach to competition in BBC spend and the establishment of BBC Studios as a new commercial subsidiary could offer significant creative and economic benefits for the BBC, the wider production sector and most importantly licence fee payers.

Radio falls outside of the BBC's proposals for Studios. But through Charter Review we have considered what the appropriate framework should be for independent production in radio. The BBC agreed in June 2015 that 60 per cent of radio hours would be available to independent production by 2022, an increase from 20 per cent now. The government welcomes this agreement as contributing to the overall move towards greater competition and will enshrine this commitment in the Charter.

### **Giving the new unitary board responsibility for delivering efficiency across the BBC's activities, including pay and staffing**

The BBC clearly has a range of costs beyond content production, and while it has proposals to deliver annual efficiencies of at least one per cent of its addressable cost base,<sup>175</sup> the BBC will need to develop strategies for further efficiencies in other areas.

As set out in Chapter 3, the government is creating a new unitary board which will be uniquely well-placed to ensure that the BBC is run efficiently and that the BBC is transparent to allow effective scrutiny. Among other issues, the government expects it to address the following challenges, which focus on pay-related issues given the high proportion of the overall budget this represents:

#### **Layers of management**

As the BBC's Director-General has recently acknowledged, the BBC continues to have a reputation for excessive management layers. The BBC itself notes that it still faces challenges in achieving its target of senior management representing at most one per cent of the total workforce.<sup>176</sup>

#### **Management and talent pay**

In recent years the BBC has taken steps to bring under control the amounts it spends on its senior management. Talent spend is down by 15 per cent since 2008<sup>177</sup> and its total management bill has reduced by 13 per cent since 2011.<sup>178</sup> Some of its top earners also have lower total remuneration packages than those of competitors: the Director-General's total remuneration package in 2014/15, for example, was £466,000<sup>179</sup> while the Chief Executive of Channel 4, a much smaller and less complex organisation than the BBC, earned £855,000<sup>180</sup> in the same year.

However, in a survey for The Times in 2014 almost eight out of ten people thought that the BBC paid its top management and talent too much,<sup>181</sup> with 87 earning more than the Prime Minister (£150,000).<sup>182</sup> In light of the public's views, the BBC's new unitary board should take a robust approach to remuneration for talent and management. The BBC must continue to strive to be an ever-more efficient, lean organisation and be seen to be bearing down on costs – paying particularly close attention to how much it pays those who earn the highest salaries – paid for with licence fee payers' money.

**Overall staffing levels**

Many public sector organisations have recently delivered substantial efficiencies through headcount reductions, with overall Civil Service staff numbers, for example, falling by over 15 per cent since 2009. A number of media organisations have experienced similar reductions. Despite an extensive efficiency programme, BBC staff numbers grew by 300 between 2013/14 and 2014/15<sup>183</sup> and only fell by 1 per cent since 2010 (see box 43). This suggests that greater focus is needed in this area.

**Other areas**

There is a range of other costs the board will need to investigate including property costs, where the BBC performs poorly on certain benchmarks, particularly regarding the price per square metre of Broadcasting House.<sup>184</sup> And the BBC has already demonstrated that savings can be made to certain programme budgets without there being a corresponding drop in audience appreciation.

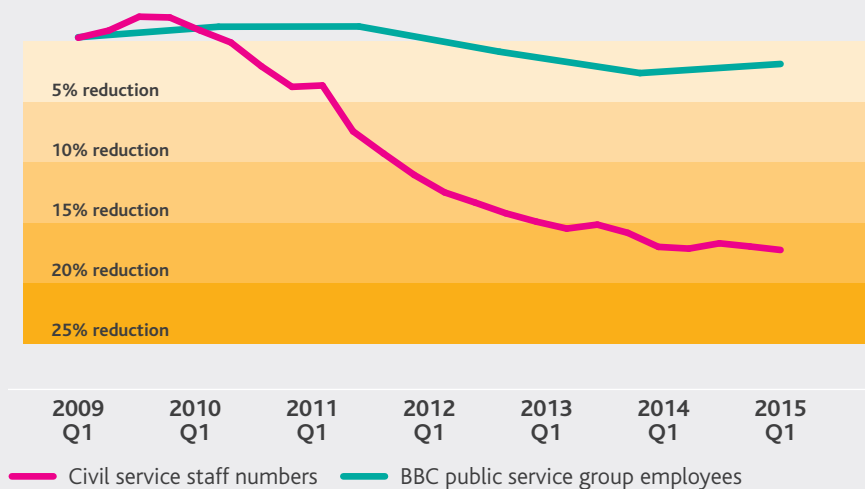
As we set out in Chapter 3, the BBC board will need to report on areas such as value for money on an annual basis.



In relation to the perception of excessively high pay, this is first and foremost the responsibility of the remuneration committee of the unitary board. But the new body responsible for accountability should be actively prepared and seeking to hold the board accountable for overall levels of pay across the BBC.

CMS Select Committee Report, 2015<sup>185</sup>

**Box 43. Staff reductions at the BBC have been very modest compared to those in the Civil Service since 2010**



Source: Institute for Government; BBC Annual Report and Accounts

## Increasing transparency of BBC spending

The new board can also go further on improving the transparency of how the BBC spends the licence fee. The BBC publishes a lot of information about how it does its business and how it spends the licence fee on the various services it runs. At present, for example, the BBC publishes information on its aggregate spend on individual services, such as BBC One, and on the number of hours of content it broadcasts in different genres. However, the BBC can go further in becoming more transparent to licence fee payers. There are two particular priorities:

### Talent spend

The BBC already publishes data on the number and salaries of talent in news, radio, television and digital by broad bands in its annual report, and the names and detailed remuneration packages of management earning more than £150,000. The public have a right to know what the highest earners the BBC employs are paid out of their licence fee. The new Charter will therefore require the BBC to go further regarding the transparency of what it pays its talent and publish the names of all its employees and freelancers who earn above £450,000 (the current Director-General's salary) in broad bands agreed with the BBC.

The BBC will maintain the current cap on talent spend of a maximum of 16 per cent of internal content costs. The new BBC board will also have a duty to manage talent costs and conduct and report on a rolling programme of talent pay reviews, with independent, expert advice. The BBC board's remuneration committee, chaired by a non-executive director, will also approve the pay levels of new staff and freelance talent above £250,000. The government also expects the new BBC board to consider other ways in which it can improve transparency and management of talent pay.

### Spend by genre

As the House of Lords Select Committee on Communications noted,<sup>186</sup> transparency about the BBC's spend on particular genres is crucial in holding the BBC to account, particularly against the background of reductions in overall funding for the BBC which have been reflected in reduced investment in individual genres, including key public service genres such as specialist factual and current affairs.<sup>187</sup>

The public has a right to understand the financial choices the BBC makes on the types of content it is prioritising. There will therefore be a new duty placed on the BBC in the next Charter period to provide annual reporting on its spend by genre, in line with industry standard genre classifications developed by Ofcom where appropriate.

## Reviewing and regulating the BBC's commercial subsidiaries and ensuring they operate fairly and efficiently

The BBC commissions and owns globally sought-after content: shows like *Doctor Who* and formats such as *Strictly Come Dancing* are international hits, showcasing the best of British creativity. BBC content, beyond the direct enjoyment it brings to UK audiences, is therefore a valuable commodity that can be marketed to provide licence fee payers with the best return on their investment.

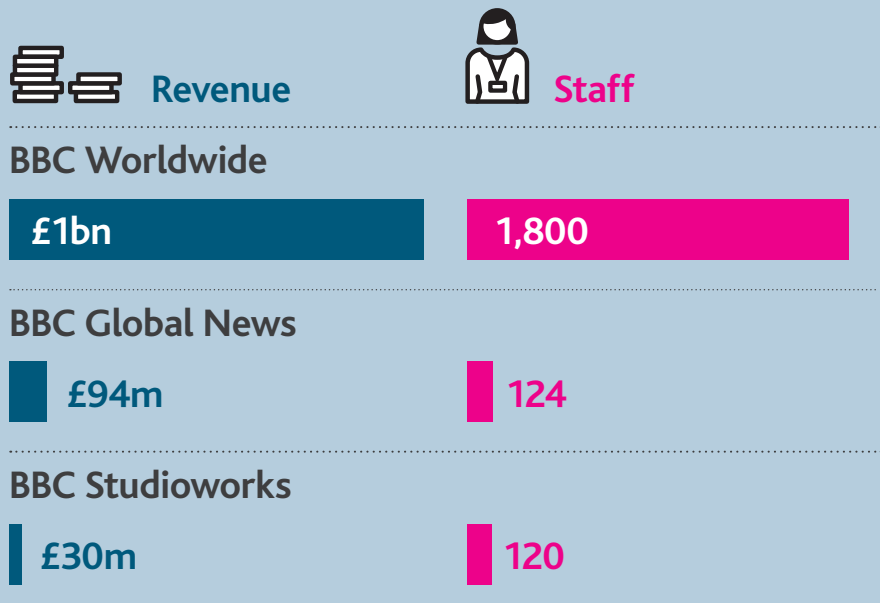
The BBC uses its commercial subsidiary BBC Worldwide to distribute BBC content in the UK and overseas. It currently has the right of first refusal over the ability to invest in, and later on to exploit, BBC content, making it a stable and reliable investor in BBC content. BBC Worldwide's returns to the BBC, in the form of programme investment and the dividend it pays, are equivalent to 12 per cent of the BBC's television budget.<sup>188</sup> It is also a significant intervention in the market, being the biggest distributor outside the US Studios<sup>189</sup> and owning 50 per cent of UKTV, which owns and operates ten commercial UK linear television channels including Dave, the UK's most popular non-public service channel.<sup>190</sup> There is substantial private capital linked to BBC Worldwide: 49.9 per cent of BBC America, for example, is owned by entertainment company AMC, to whom the BBC also ceded operational control of the channel (but which is required to maintain the BBC's editorial standards).

Questions have been raised regarding BBC Worldwide’s commercial record – headline sales and profits in 2015/16 were both lower than those in 2009/10<sup>191</sup> – and whether it indeed delivers as much value as possible for the licence fee payer: the House of Commons Culture, Media and Sport Select Committee considered issues around the transparency of BBC Worldwide’s accounts as well as the fairness of its interaction with the BBC public services in a recent report.<sup>192</sup> Decisions early in this Charter period, such as the loss-making acquisition of the Lonely Planet travel guide (subsequently sold), have led to considerable controversy.

The content supply market is going through a period of rapid change, seeing the consolidation and integration of content suppliers and distributors internationally. The government believes that the current content distribution arrangements through BBC Worldwide should therefore be re-assessed in light of the developments in the international market for content.

Though the largest, BBC Worldwide is not the only commercial subsidiary the BBC operates (see box 44). The BBC also owns BBC Global News, its commercial international English-language news operation, and BBC Studioworks, a resource company offering studio and post-production services. If it achieves regulatory approval, BBC Studios will become the BBC’s fourth commercial subsidiary.

**Box 44. The BBC’s commercial subsidiaries**



Source: BBC Commercial Holdings 2014/15 Statutory Accounts

As with BBC Worldwide, questions have been raised about the commercial performance of the BBC’s other commercial subsidiaries. For most of the current Charter, both BBC Global News and BBC Studioworks have been loss-making.<sup>193</sup> Moreover, the BBC has not always been able to assure the broader market that the relationships between its commercial subsidiaries and the public service are compliant with the BBC’s Fair Trading obligations due to a perceived lack of transparency.

An increasing amount of the BBC’s economic activity is being undertaken in commercial subsidiaries and this will increase further if BBC Studios gains regulatory approval. It is vital that these businesses do not gain an unfair advantage over commercial rivals due to their privileged link with the BBC’s public services. The BBC’s commercial subsidiaries should ultimately serve the BBC public service, not the other way around.

The model of commercial services regulation introduced in the last Charter sought to ensure the BBC’s commercial activities: fit with the BBC’s public purposes, were commercially efficient, did not jeopardise the BBC’s reputation, and did not distort the market.



While the government considers that this framework remains appropriate, it wants to see the BBC held more accountable for the performance of its commercial subsidiaries in the next Charter and more transparent about how it operates them. The new Charter will therefore:

- **split responsibility for the existing 'four commercial criteria' between the BBC board and Ofcom.** The BBC board will have responsibility for ensuring the subsidiaries fit with the BBC's public purposes, are commercially efficient and uphold the reputation of the BBC (the governance criteria) while Ofcom will have ultimate responsibility for ensuring they do not distort the market (the regulatory criterion). As a last resort, Ofcom would be able to direct the BBC to stop commercial ventures where there is clear evidence that public and commercial activities are not effectively separated and where commercial operations may be unfairly subsidised by the BBC;
- **ensure the board undertakes strategic reviews of each commercial subsidiary on a periodic basis,** considering whether the current arrangements best serve the public interest. This should also include the case for closing or reorganising loss-making subsidiaries, such as Global News, particularly given concerns over its quality record. It will be required to publish summary details of these strategic reviews and the commercial efficiency benchmark each subsidiary will be held to. The first of these reviews should be completed by the end of 2018;

- **require the BBC board to be more transparent about how the BBC operates its commercial subsidiaries:** in consultation with industry and with agreement from Ofcom it will need to publish enough information to provide confidence that relationships between the public service and the commercial subsidiaries are compliant with regulation (without jeopardising the ability of such businesses to operate commercially); and
- **provide for Ofcom to develop a fair trading framework,** following consultation with stakeholders, which will set out broad principles of fair trading and rules to ensure that the interaction between the BBC's public service broadcasting activities and its commercial activities do not unduly distort competition in the market. The BBC board will take primary responsibility for ensuring compliance with these rules. To give industry confidence that the BBC is operating fairly, Ofcom will be responsible for considering appeals from stakeholders under the framework about the BBC's activities, and how the BBC has assessed fair trading complaints. Ofcom will also have the ability to step-in to review concerns about fair trading and to impose requirements in relation to interaction between the BBC's public service broadcasting activities and new commercial subsidiaries.

### Introducing more independent scrutiny about how effectively the BBC spends its funds

In addition to increased competition in commissioning, a focus on transparency and value for money at the board level, and tougher and more transparent regulation of the BBC's commercial operations, the BBC will receive more external scrutiny during the next Charter period from the NAO.

All public bodies are required to spend their funds in accordance with four key principles: regularity, propriety, feasibility and value for money (see box 45). These principles set out the very high standard people expect for any public organisation in receipt of public funds, even if they are operationally independent from central government. The government will therefore enshrine these principles in the new Charter to apply to the way the new BBC unitary board makes spending decisions for the BBC.

#### Box 45. Principles of public spending in the UK

**Regularity** – The management of public resources should accord with the relevant legislation and other statutory frameworks, delegated authorities and government guidance. For the BBC these are established through its Charter, and other agreements it makes with government.

**Propriety** – Management of public resources should meet high standards of public conduct, robust governance and the expectations of Parliament, including its conventions and control procedures, and any requirements of the Public Accounts Committee.

**Value for money** – Procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, value and avoidance of error and other waste, taking into account the wider public interest, not just that of the BBC itself.

**Feasibility** – Proposals using public funds should be implemented accurately, sustainably and to the intended timetable.

The NAO scrutinises how effectively public funds are spent and whether these principles are observed by public bodies. Under the current arrangements the NAO already carries out value-for-money studies on the BBC's publicly-funded operations, a crucial way in which external, independent scrutiny on behalf of the taxpayer is applied to the BBC. These reports have increased transparency: on the BBC's record on severance payments the NAO found that in a number of cases the BBC paid senior managers more salary in lieu of notice than they were contractually entitled to, costing licence fee payers at least £1 million.<sup>194</sup> In its report on the BBC's failed Digital Media Initiative the NAO concluded that there had been failings regarding the BBC's procurement process and that the financial benefits of this £100 million project had been overstated.<sup>195</sup>

Past NAO scrutiny for the BBC has been shown to work well and to be compatible with the BBC's editorial independence. The NAO is uniquely placed to scrutinise public bodies, including the BBC, from a fully independent perspective: the Comptroller and Auditor General, the head of the NAO, is an officer of the House of Commons, and the NAO does therefore not report to any minister. The NAO does not question government policies, but challenges whether government delivers these policies in a cost-effective way. Similarly, the NAO also does not question the merits of the BBC's editorial or creative judgements, for which the BBC has, and will retain, an exemption in the Charter.

As set out in Chapter 3, the new Charter will put in place a much stronger governance framework for the BBC, with a powerful unitary board that is responsible for running the BBC. However, this also calls for a stronger element of scrutiny that is truly external to the BBC.

While the NAO's recommendations are not binding on any of the organisations it audits, its findings will provide valuable direction and challenge for the BBC's board. The Charter will therefore establish the Comptroller and Auditor General as the BBC's financial auditor, in line with the normal arrangements for public bodies such as the BBC. In 2014/15 the NAO audited 442 accounts<sup>196</sup> for 344 public bodies, ranging across central government departments, independent regulators and arm's length bodies operating in a commercial setting such as Network Rail. The NAO's work will support the BBC board in ensuring that the BBC is performing effectively with the necessary financial controls. This will also give the NAO a more in-depth understanding of the BBC's operations, aiding the value-for-money work, and will also allow Parliament to hold the BBC to account for whether its public resources are managed in line with the requirements of regularity and propriety.

The government will also consider further the potential merit of letting the NAO carry out value for money reports about the BBC's commercial operations: as set out above, the activities of the BBC's commercial subsidiaries do not receive public money but do return profits to the BBC's public service division. It is therefore in licence fee payers' interests to know whether these activities are carried out efficiently, effectively and with economy. However, the government will need to consider further the possible impacts of this on the ability of the BBC's commercial operations to compete effectively in the open market.

**Box 46. The National Audit Office**



**442**

audited 442 accounts for 344 public bodies



**£1tr**

audited £1 trillion combined revenue and expenditure of government bodies



**£1.15bn**

helped deliver audited savings of £1.15 billion across government in 2014

Source: The National Audit Office, Annual Report and Accounts 2014/15

**Continuing and improving the BBC's leading role in technology and research and development**

The BBC has, since its inception, played an important role at the forefront of technological development and promotion in the broadcasting sector. Its stable income has meant that it has been able to innovate and make early stage investments where other commercial broadcasters have not. The BBC led the way for the rest of the industry with the development of the iPlayer, and more recently the BBC has played a role in the development of ultra HD standards in collaboration with others, including international technical standards bodies.

Under the current Charter, the sixth public purpose sets out the BBC's role in digital switchover. As set out in Chapter 2, since this has now been successfully completed, this purpose has become outdated and will be removed. However, technological change over the next Charter period is likely to continue at pace and the BBC will need to continue to adapt to this, and to changing audience demands, in cost-effective ways. The government believes the BBC has an important role to play in technological innovation and development. While a specific public purpose may not be the best way in which to enshrine this role, this activity is important for effective delivery of the BBC's public purposes, and can have large wider public benefits. This is why the government proposes to include specific reference to this activity, in explaining how the purposes will be delivered as set out above in Chapter 2.

The BBC clearly plays an important and valued role in R&D and technology. Stakeholders have voiced positive views about the BBC in this space in response to our public consultation. However, a number of stakeholders also suggested ways in which the BBC can improve, primarily through more effective and collaborative partnerships, but also in ensuring it spends its not insubstantial R&D budget of about £75 million<sup>197</sup> per year in a more effective way.

The government wants to see the BBC retain a role in technological development and R&D, and for this the BBC needs to improve its understanding of the value it adds in this area. The BBC should therefore undertake and publish a detailed review and cost-benefit analysis of its R&D activity, including the iPlayer, looking at its successes to date, objectives for the future, and potential ways in which it might be able to improve collaboration with others. This should also include an analysis of the value delivered for the licence fee payer, and the creative economy more broadly, as a result of this investment.

In response to our consultation, the idea was also raised of introducing a Technology Advisory Board,<sup>198</sup> in order to improve the way the BBC governs its technology projects and to encourage an increased importance being placed on working in effective partnership with others in this sphere. Such a board would act as a 'critical friend', asking questions, and offering insight and expert advice, to ensure consistent standards are applied, the right people are involved, and the work is offering the most value for licence fee payers. The government supports the idea but believes it is for the BBC to decide how to take it forward and how to ensure a board membership which reflects the wide range of technology sectors the BBC impacts.

# 6. Ensuring a modern, sustainable, funding model

|   |     |
|---|-----|
| Inflation-linking the licence fee, with additional support to sustain BBC income  | 92  |
| Closing the iPlayer loophole  | 94  |
| Giving greater freedom for the BBC to manage its budget in the way it sees fit  | 96  |
| Using the licence fee for public service content  | 97  |
| Ensuring greater transparency in future licence fee settlements   | 97  |
| Improving the fairness and effectiveness of the process of investigation and prosecution of TV licensing offences                   | 99  |
| Introducing more flexible payment plans   | 100 |
| Allowing those aged 75 and over to make voluntary payments if they choose to while protecting the concession during this Parliament | 100 |
| Paving the way for a new more sustainable funding model in the longer term  | 102 |

It is vital that the BBC has a sustainable funding model that is fair, accountable and fit for the future. The government is clear that the licence fee continues to be the most appropriate funding model for the BBC for the next Charter period.

However, the funding of the BBC needs to be modernised and so the government proposes to:

- Provide the BBC with the level of funding and certainty it needs to thrive and deliver against its updated mission and purposes by:
  - granting the BBC a funding settlement based on the licence fee linking to inflation from 2017/18 to 2021/22;
  - allowing those aged 75 and over to make voluntary payments if they choose to, while continuing to protect the concession during this Parliament; and
  - ensuring certainty over the process for setting the BBC's funding settlement beyond 2021/22, enhancing the BBC's independence from government by introducing a new regularised process once every five years.
- Modernise the licence fee to make it fairer and easier to pay for all by:
  - closing the iPlayer loophole so that those who currently consume BBC programmes on-demand (e.g. on the iPlayer) for free pay the same as those watching or recording it on television as it is being shown live;
  - improving the fairness and effectiveness of the process of investigation and prosecution of licence fee evasion; and
  - introducing more flexible payment plans.

- Ensure the BBC has greater freedom to manage its budget in the way it sees fit by giving the BBC more freedom over its funding by removing protected funding for local television and broadband.
- Pave the way to a more sustainable funding model in the future by empowering the BBC to consider and explore the scope for additional sources of commercial revenue, including testing whether some elements of subscription – in combination with the licence fee – could achieve this.

The government will also continue to fund public service content from the licence fee, including S4C.

### Inflation-linking the licence fee, with additional support to sustain BBC income

The licence fee system will be maintained for the coming Charter period. While no system of funding meets all the criteria of an ideal funding system, the current system provides the BBC with a sustainable core income paid by all households who watch or receive television, and it commands wider public support than any alternative model.<sup>199</sup> However, the current licence fee of £145.50 is a considerable amount for households on lower incomes. And, as a flat rate fee, the government must ensure the licence fee delivers value for money for all licence fee payers.

#### Inflation-linked licence fee

Since 2010, the licence fee has been frozen at £145.50. There are a number of arguments for continuing to freeze the licence fee at its current level:

– evidence from the polling carried out as part of the government’s consultation showed that the majority (61 per cent of people), wanted the licence fee to remain frozen or to be reduced, while only a minority (22 per cent), favoured an increase of any kind. Those on lower incomes were even less likely to favour an increase;<sup>200</sup>

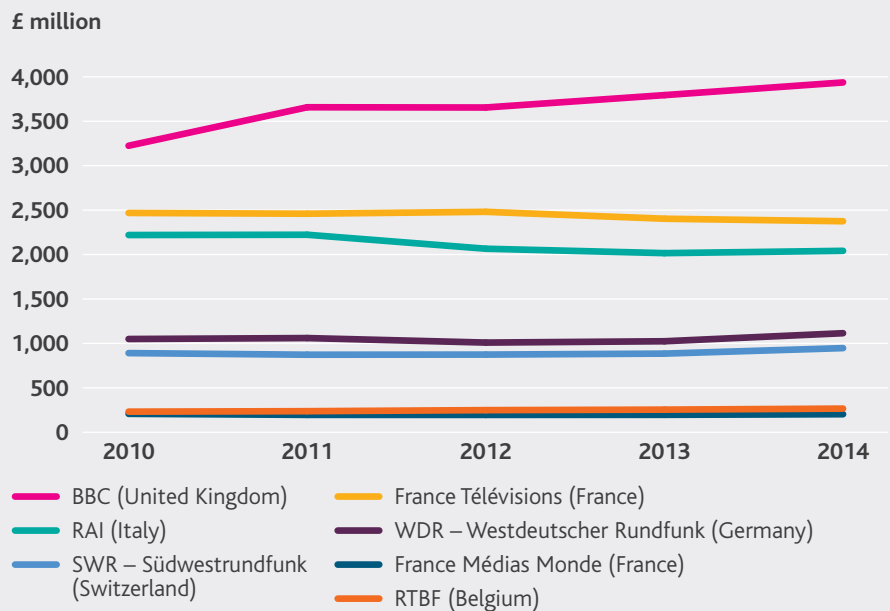
– a frozen licence fee would continue to ensure that the BBC is challenged to make efficiencies – as set out in Chapter 5 the BBC is planning to deliver £700 million a year of efficiencies by the end of 2016, following the freeze in the licence fee introduced in 2010;

– BBC income has risen since 2010 relative to European public service broadcasters (see box 47) and the BBC remains one of the best-funded public service broadcasters in the world in terms of overall revenue.<sup>201</sup> It also benefited from above inflation growth in the licence fee<sup>202</sup> from 2000-2007 and increases of between two and three per cent from 2007-2011;<sup>203</sup>

– the licence fee is a household fee, and so even if the rate of the fee is frozen the revenue generated from it can still rise if the numbers of households rise; indeed new households are forecast to form at a rate of 219,000 a year in England alone between 2017-2027;<sup>204</sup> and

– the BBC’s commercial revenue may well increase over the next Charter period: the BBC is forecasting a 15 per cent increase in returns from its commercial holdings over the next five years,<sup>205</sup> with new ventures such as BBC Store having the potential to increase this.

**Box 47. The BBC is the best-funded public service broadcaster in Europe** (Comparison of European public service broadcasters unconsolidated operating revenue)



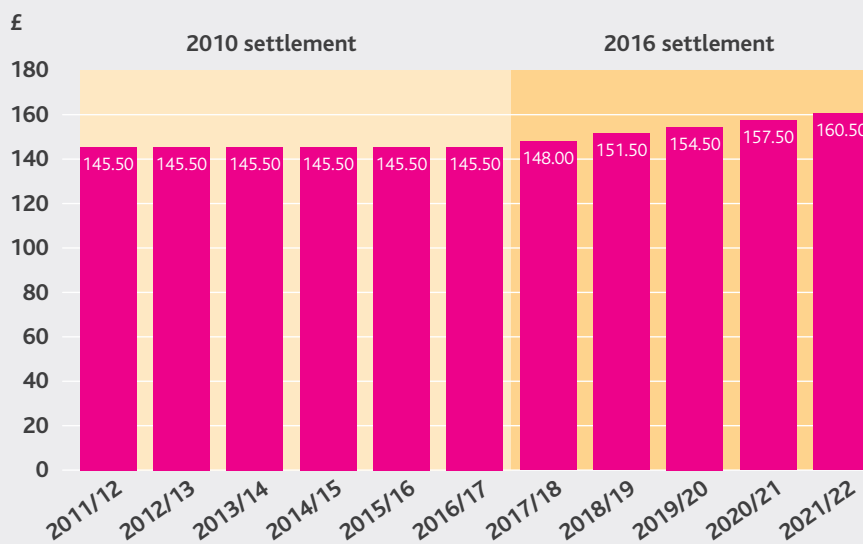
Source: The Yearbook of the European Audiovisual Observatory 2015

However, the government wants to ensure that the BBC has sufficient funding to invest in high quality, distinctive output that audiences enjoy and value at a time when the revenues of some leading commercial providers have been growing.<sup>206</sup> This rising public investment in the BBC will also continue to result in continued value in the UK’s creative industries. With the licence fee frozen for the past six years the BBC has been required to make 16 per cent cash releasing savings.<sup>207</sup> This is a significant challenge for any organisation. In addition the BBC has agreed to take on the cost of licences for those aged 75 and over (costing an estimated £745 million by 2020)<sup>208</sup> and has absorbed other costs, with the licence fee now funding the World Service and S4C. Given these challenges, the efficiency savings the BBC has and will continue to make, and the fact that the public does not want a significant change in the scale and purposes of the BBC, the government will provide the BBC with a licence fee settlement rising with inflation<sup>209</sup> for the first five years of the Charter period, from 2017/18 – 2021/22. This will mean the BBC will receive over £18 billion of public money between 2017/18 and 2021/22.<sup>210</sup>

This settlement will provide the BBC with sufficient income to deliver the reforms required in the next Charter as well as allowing it to meet its ambition to invest in some of the new services outlined in its paper, 'British. Bold. Creative.'<sup>211</sup>, but with the clear expectation and incentives to ensure the BBC uses public money in the most efficient way possible.

The government expects that the licence fee will increase as set out in box 48 below, on the assumption that inflation is in line with current Office for Budget Responsibility (OBR) projections.<sup>212</sup> If inflation is on average higher or lower than this, the actual level of the licence fee will accordingly be higher or lower.

**Box 48. Licence fee – historical and forecast levels to 2020/21 assuming inflation is in line with OBR projections**



Source: OBR inflation projections, Budget 2016

### Additional support for BBC finances

As well as an inflation-linked licence fee settlement the government will further help support BBC finances (as agreed at the 2015 Summer Budget) by:

- closing the 'iPlayer loophole' so that those watching BBC programmes on-demand for free (e.g. on the iPlayer) will also be subject to the licence fee for the first time by 2017 generating additional revenue for the BBC;
- phasing the costs of the over-75s concession over three years, with the BBC only taking on full responsibility for these costs from 2020/21, and then taking responsibility for the concession policy in the next Parliament;
- allowing those aged 75 and over to make voluntary payments if they choose to, while continuing to protect the concession during this Parliament; and
- phasing out some areas of protected funding to give the BBC greater freedom about how it spends its budgets, as set out later in this chapter.

Given these measures, agreed in July 2015, the BBC estimate that the result of the agreement is a flat-cash settlement overall by 2021/22.<sup>213</sup> This is a firm but fair settlement for the BBC, consistent with the cuts currently being asked of unprotected central government departments. It will result in a funding pressure that is less than some of those in the industry are facing (the Guardian Media Group, for example, is reportedly facing 20 per cent cuts to running costs over the next three years)<sup>214</sup> and less than those faced by many in the public sector (the Department for Work and Pensions and the Ministry of Justice, for example, are both facing cuts to administrative resource spending of over 22 per cent in real terms).<sup>215</sup> Within this settlement the BBC will need to make savings to allow reinvestment in new services and ensure more money for quality content. Overall the settlement provides a fair balance between sustainable funding for the BBC and value for money for the licence fee payer.

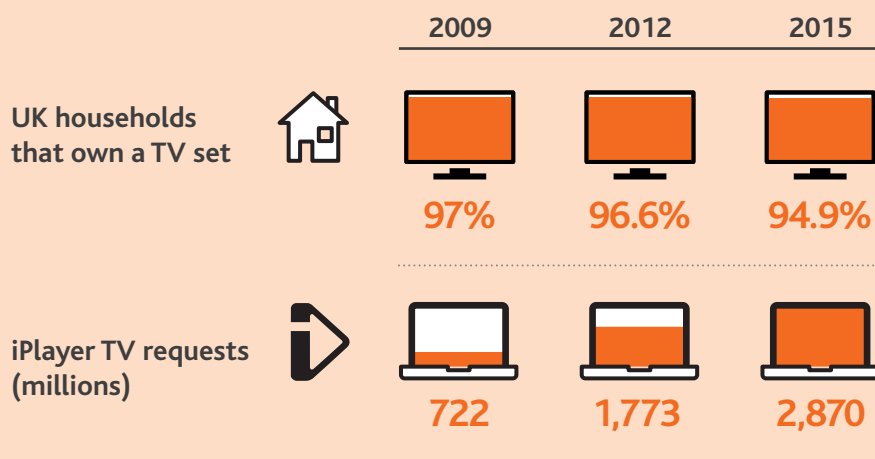
### Closing the iPlayer loophole

The public have mixed views on the licence fee, but there remains strong support for the continued provision of a sustainable source of funding for the BBC that is both paid for by everyone and which is separate from general taxation, helping maintain the BBC's editorial independence from the government. However, changes in the viewing habits of audiences and the proliferation of devices, platforms and services mean that it is increasingly difficult for the licence fee to remain fit-for-purpose in the modern media age.<sup>216</sup>

The success of BBC iPlayer has helped develop the UK on-demand market to become the largest in Europe. However, as viewing habits shift away from linear television, viewers paying for a television licence to watch or record any television as it is being shown will increasingly foot the bill for public service content that many enjoy without any payment.



**Box 49. Television ownership is declining while on-demand usage is growing**



Source: Based on BARB data on television ownership in private domestic households and BBC iPlayer Monthly Performance Pack, December 2015

The government has therefore committed to modernise the licence fee to include BBC on-demand programmes, and close the so-called iPlayer loophole, and intends to lay a statutory instrument before Parliament to enable this shortly. This will ensure that the television-watching public gets a fair deal, that those who enjoy licence fee funded on-demand programmes are also contributing to the cost of producing it, and that the funding of the BBC remains robust for the future.

In order to improve enforcement and allow BBC content to be 'portable' for UK licence fee payers (so they could gain access while on holiday in Europe, something which is currently not offered) the government thinks there is a case for iPlayer to require verification – i.e. access should be conditional upon verification of licence fee payment – so that individuals in other countries, and those in the UK not paying the fee, cannot access licence fee funded content for free. The government will discuss verification and other options with the BBC and look at the best way of implementing this, including through regulations if needed. It will be up to the BBC to determine whether this is an appropriate means of charging international viewers.

## Giving greater freedom for the BBC to manage its budget in the way it sees fit

The government also intends to provide the BBC with greater freedom within its funding settlement by reducing the number of protected areas. While there are clearly some areas where protection of budgets is important, such as the World Service (where the government will introduce protection from 2017/18, as set out in Chapter 2), we will phase out the protections for broadband and local television funding (worth £155 million a year) as these important public policy interventions will no longer be required beyond this period. Over the last licence fee period three areas of the BBC's budget were protected – by 2020, this will have reduced so that only the World Service will be protected, giving the BBC greater freedom within its funding settlement.

### Box 50. Phasing out of protected funding for broadband and local television



#### Broadband roll-out<sup>217</sup>

**Nearly 4 million UK homes and businesses now have access to superfast broadband**  
**90% of UK premises are now covered**

In the case of broadband, funding from the licence fee has meant that nearly 4 million homes and businesses are now able to access superfast broadband for the first time. A proportion of licence fee funding will continue to allow the completion of this phase of the roll-out up until 2020/21. Protected funding for broadband will then be phased out entirely, reducing to £80 million in 2017/18, £20 million in 2018/19, £10 million in 2019/20 and ceasing in 2020/21 in line with the conclusions of this phase of the roll-out programme.



#### Local TV

**20 stations already launched**  
**A further 11 stations due to launch in 2016**

**Three further stations expected in 2017**

The 2010 licence fee settlement<sup>218</sup> provided up to £25 million to build the transmission network to support new local television services and up to £5 million per year over three years to enable local television stations to access content funding from the BBC. This focused on acquiring a fixed volume of content for a fixed price, totalling £300,000 per station over the course of the first three years of their operation, thus supporting the establishment and growth of a new sector with 20 stations launched since November 2013. In phasing out this protection, the government will ensure that local television stations that are launched by 31 July 2017 and wish to receive this BBC support for their first three years of operation will receive it.

Funding for these arrangements only will be provided by the BBC from an underspend of the £15 million funding that was protected in the last licence fee settlement for local television content but has not been spent in its entirety. This funding will be rolled-forward for the above purposes and made available between 2017/18 – 2019/20. No further funding for local television will be protected in the licence fee settlement starting in 2017/18 but the BBC will continue to work and develop its partnerships with local television and other local news providers.

## Using the licence fee for public service content

In maintaining the licence fee model, the government is clear that the licence fee remains a licence to watch or receive television programmes, and is not a fee for BBC services – although licence fee revenue is used to fund the BBC and other public service objectives. While almost all licence fee income is currently provided to the BBC, as noted previously, that has not always been the case – indeed 12 per cent was used for other purposes prior to 1962.

It is appropriate, therefore, that the fee is used to fund public service content both by the BBC, for example BBC radio and online content, and beyond the BBC – for example, where public service content can be delivered more efficiently and effectively by others or to support plurality in public service content provision. Funding for S4C will therefore continue to be provided, in part, through the licence fee by the BBC and the Charter will make clear that the licence fee is not solely for the use of the BBC.

## Ensuring greater transparency in future licence fee settlements

The government recognises that the level and stability of funding are important factors for the BBC. But transparency of how the BBC's funding is set, and how the BBC spends the money it is allocated, is equally important. The government wishes both to set the BBC's funding on a stable footing to enhance its independence and, to address concerns that the BBC spends its money efficiently and delivers value for money, to ensure there is rigorous scrutiny of the funding needs of the BBC ahead of future licence fee settlements.

The Lord's Communications Committee also considered this issue and recommended in its report that the level of the licence fee should be set along the lines of the German model – whereby an independent regulator would recommend the licence fee level to the government and the Secretary of State would then be required to approve the recommendation or publish their reasons for not doing so.<sup>221</sup>

### Box 51: Continued funding for S4C from the licence fee

There was strong support from stakeholders in Wales for the continuation of licence fee funding for S4C.<sup>219</sup> A number of public consultation responses and focus group participants also called for continued funding for S4C. Participants in Wales were aware of the input the BBC had to S4C and greatly valued this channel.<sup>220</sup>

The BBC currently provides £74.5 million to S4C and has confirmed this level of funding will continue until 2017/18. The BBC may choose to reduce the grant to S4C by an equivalent percentage to the percentage reduction in BBC funding over the period 2018/19–2020/21. However, the government is encouraged to see that the BBC has stated that it intends to protect funding for the nations and regions relative to other areas.

The government expects the BBC to continue to work in close partnership with S4C to maximise value for money for the licence fee payer and the taxpayer, including in the proposed co-location of S4C and BBC Wales.

Beyond 2017/18, consideration needs to be given to the ongoing funding of S4C from government, to ensure that the broadcaster remains on a stable footing. Government is committed to carrying out a comprehensive review of S4C in 2017. This will look at S4C's remit, funding and accountability arrangements, including the element of funding from the licence fee. Following this review the Secretary of State maintains the power to amend the process for setting S4C's funding.

The government is clear that the licence fee is a tax, and therefore should be set by government and not by an independent body. However, to improve scrutiny of the BBC's funding needs, provide the BBC with greater certainty around its funding, and to allow Parliamentary scrutiny of the licence fee-setting process, the government believes that the process of setting the licence fee should be regularised. The licence fee will be set once every five years with the next settlement taking place in 2021. Given the 11-year Charter period consideration will need to be given to whether an one-off settlement of a different length should be made in 2021 to align the settlements with the Charter period. This process of setting new fixed funding terms, and the scrutiny that will be undertaken in setting the level of the licence fee will be set out in the Charter. This will enable the BBC to plan with greater certainty while ensuring that there is sufficient flexibility for change if needed during the length of each Charter.

In addition to regularising the timings of licence fee settlements, the government will require the BBC to provide a set of data on its funding needs, including proposals for any new activities or services, and forecast income ahead of each licence fee settlement. Elements of this data may be independently assessed in helping the government to determine the right level of funding for the BBC. The level of the licence fee will then be set in a statutory instrument ensuring suitable Parliamentary scrutiny (via the negative resolution procedure as is currently the case). This will improve the transparency of the licence fee-setting process and ensure that scrutiny of the BBC's finances is carried out in an open and accountable way.

The first time this process will be undertaken is in 2021 when the government will review and set a new funding settlement for the BBC. This will enable the government to assess whether the revenue generated from the licence fee has been as expected over the first five years of the Charter and what the level of the licence fee should be. The following factors will be relevant to that decision:

- household growth – the number of households paying the licence fee may increase or decrease due to household growth, in variance to forecast levels, as it has in the last Charter period. An increase in the number of households paying the fee would result in additional revenue being generated which could be returned to the licence fee payer in the form of a reduction to the licence fee;

- commercial revenues – the BBC's commercial structures may change (as set out in Chapter 5) and this could result in a change in revenue for the BBC which may affect its ability to deliver against its Charter objectives. Alternatively, the BBC's commercial revenues may increase and could result in a greater return to the BBC public service;
- evasion rates – introducing verification for BBC iPlayer may help to reduce evasion and therefore increase the amount of licence fee income collected; and
- industry costs – the media industry may continue, through digitisation and technological change, to find more efficient ways of working, meaning that the same quality and quantity of output could be delivered at lower cost; though conversely cost inflation above the level of general inflation in parts of the sector could add to cost pressures.

## Improving the fairness and effectiveness of the process of investigation and prosecution of TV licensing offences

While the licence fee remains the preferred funding model for the BBC among the public, there is an ongoing debate about whether evasion of the licence fee should be decriminalised. There is some support for this idea from the public and in Parliament.<sup>222</sup> However, the independent TV Licence Fee Enforcement Review (Perry Review) concluded that while decriminalisation of the TV licensing offences might be preferable in theory, it is difficult or impractical to achieve under the current licence fee framework.<sup>223</sup>

The government has examined the case for decriminalising the licence fee offence, in light of this range of views and the recent Perry Review.<sup>224</sup> David Perry QC led an open, independent, and evidence-based review which concluded that while the licence fee framework remains, there should be no fundamental change in the sanctions regime. The review also noted very few individuals are imprisoned for non-payment of a fine related to the TV licensing offence and the proportion of magistrates' time taken up is much lower than sometimes claimed (see box 52). The government agrees with the review's assessment that the current regime represents a broadly fair and proportionate response to the problem of licence fee evasion and provides good value for money (both for licence fee payers and taxpayers). However it is not the case that the criminal sanction is endorsed; rather it is necessary because of the characteristics of the licence fee framework.

### Box 52. TV licence fee enforcement

The BBC Trust is responsible for overseeing the licence fee collection arrangements put in place by the BBC Executive Board, and ensuring they are "efficient, appropriate and proportionate". This responsibility was set out for the first time in the 2006 Royal Charter. The Trust provides a review of licence fee collection each year as part of the BBC's Annual Report and Accounts.



Number of people convicted of a TV licence offence in 2013/14:

**153,369**



Number of people imprisoned for non-payment of fines relating to a TV licensing offence in 2013/14:

**32**



Amount of Magistrates' Court time taken up by TV licensing cases:

**0.3%**



Number of licensed households:

**25.4m**

Source: TV Licence Fee Enforcement Review, 2015  
Ministry of Justice Quarterly Statistics, Outcomes by offence, May 2014  
TV Licensing Freedom of Information Release 2014

The Perry Review also recommended a number of options for improving the fairness and effectiveness of the process of investigation and prosecution. Some of these, such as closing the iPlayer loophole, have already been addressed – the government plans to lay a statutory instrument to close the loophole shortly. Others are being taken forward by the BBC. The government is pleased to note that the BBC is taking steps to increase the transparency of its prosecution policy, including by publishing its 'Prosecution Code', which sets out how customers can take steps to avoid prosecution. The BBC has also shared evidence that it is addressing the review's other recommendations, including better targeting of unlicensed addresses, investigating the gender disparity in prosecution and conviction statistics, and adjusting the tone and content of its written communications.

In addition, the Perry Review recommended that TV Licensing may be better able to target households without a TV licence if there were a requirement for cable and satellite television companies to share their subscription information with TV Licensing. The review suggested this could improve value for money for the licence fee payer.<sup>225</sup> The government intends to explore this with subscription providers.

### **Introducing more flexible payment plans**

Affordability of the licence fee also continues to be a key issue of concern. Government is acutely conscious of the impact of raising the licence fee at a time of constrained public spending and when family budgets continue to be challenging.<sup>226</sup> It is notable in our research that support for the licence fee declines based on socio-economic grouping.<sup>227</sup> While an increase in the licence fee at the level of inflation is the right decision for both the BBC and the public, the government intends to help those on lower incomes by making the licence fee easier to pay through proposals to provide more flexible payment plans.

The Perry Review highlighted that the current payment plans for paying the licence fee, which are set out in legislation,<sup>228</sup> inhibit the ability of TV Licensing to help those on lower incomes to pay the fee and avoid prosecution, as it is unable to offer alternative, more manageable payment schemes. For example, individuals are currently required to pay the cost of a 12-month licence over six months. This can be hard for some people who are struggling to pay their monthly bills. This requirement to pay 12 months over a six-month period is currently set out in regulations which means that the BBC is unable to collect payments on a different basis. The government intends to update legislation to allow clearer and more flexible payment schemes, especially for those facing difficulty in paying the licence fee. This will enable the BBC to trial alternative payment plans, including removing the up-front payments.

This would help those who struggle to make higher initial payments, and increase flexibility and convenience for all licence fee payers.

In addition, the government welcomes recent moves by the BBC and TV Licensing to simplify the licence fee refund policy to make it fairer and more transparent. The current system means that refunds are only able to be paid for every three month period left on a television licence, so in order to be eligible for a refund there needs to be at least three months remaining on the licence. This leads to losses of one or two months' worth of payments for those who do not meet this criteria, and for those who have not yet reached the threshold required for the next three month refund – for example, if there are five months left on a licence, only a refund for three months will be paid. However, TV Licensing has confirmed that from the beginning of the first full financial year of the new Charter period (April 2017), monthly refunds will be available. This is a welcome step in improving the fairness of the current licence fee collection system for the public.

### **Allowing those aged 75 and over to make voluntary payments if they choose to while protecting the concession during this Parliament**

Television, radio and online services are an important part of many older people's lives, providing information and entertainment and keeping them connected. That's why the government has committed to protecting the concession providing free television licences for those aged 75 and over for the remainder of this Parliament.

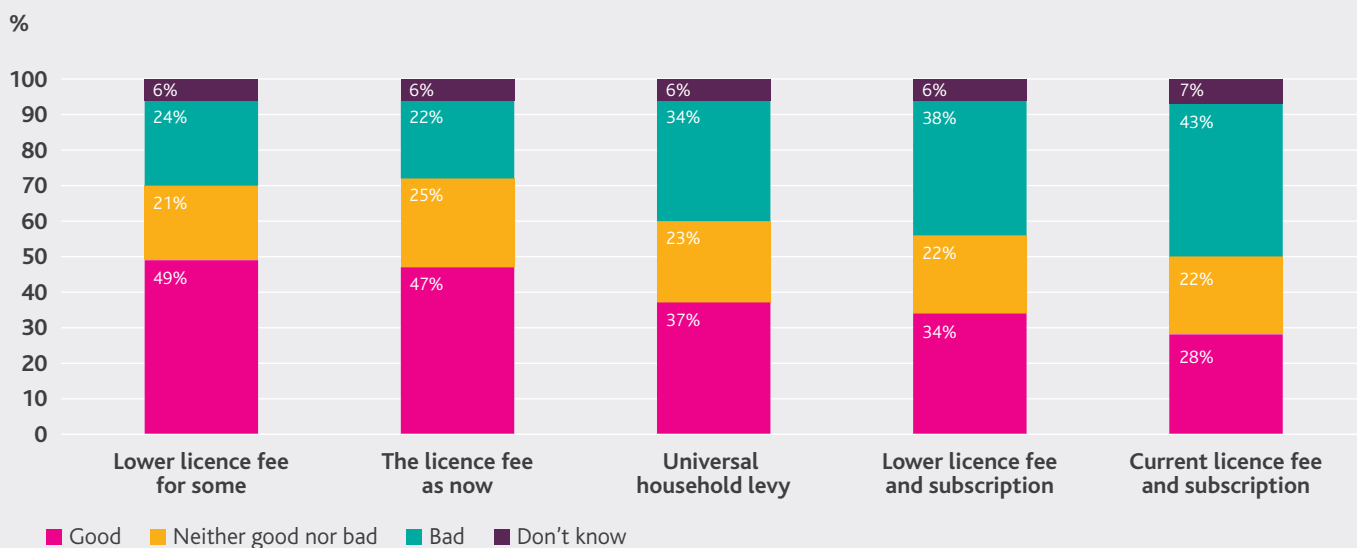
The BBC agreed last year to take on the cost of these concessionary licences from government, and requested that responsibility for the policy be transferred to them in 2020/21.<sup>229</sup> The agreement allows the BBC to contribute towards reducing the deficit along with all other publicly-funded organisations. The government agreed that this cost will be phased in over three years, to allow the BBC to prepare for the removal of government funding for the cost of these licences.

A number of individuals aged 75 and over included in their consultation responses that they wished to contribute towards the cost of the services they received from the BBC, and felt that they should be able to make a voluntary payment. Others emphasised the value they got from being able to access television content which they otherwise could not have afforded, underlining the importance of the concession to these individuals.

Given the desire amongst some people aged 75 and over to pay for the cost of a television licence, the government will make changes to allow those who wish to make a voluntary payment to the BBC including updating regulations if needed. However, the government is committed to protecting pensioner benefits, so will ensure that this is a voluntary option for those who can afford it, while protecting the concession for all those aged 75 and over in this Parliament. In 2020/21, the BBC will take on responsibility for the policy.

**Box 53. Public views on the BBC’s funding model**

Q2. Currently, the BBC is funded via the licence fee which costs £145.50 a year – the equivalent of £12.13 a month. There are a number of ways in which people might pay for the BBC in the future. For each of them, please tell me if you think it would be a good or bad way of funding the BBC.



Base: all respondents in Wave 2 (2,119)

Source: GfK Social Research, Research to explore public views about the BBC, May 2016

### Paving the way for a new more sustainable funding model in the longer term

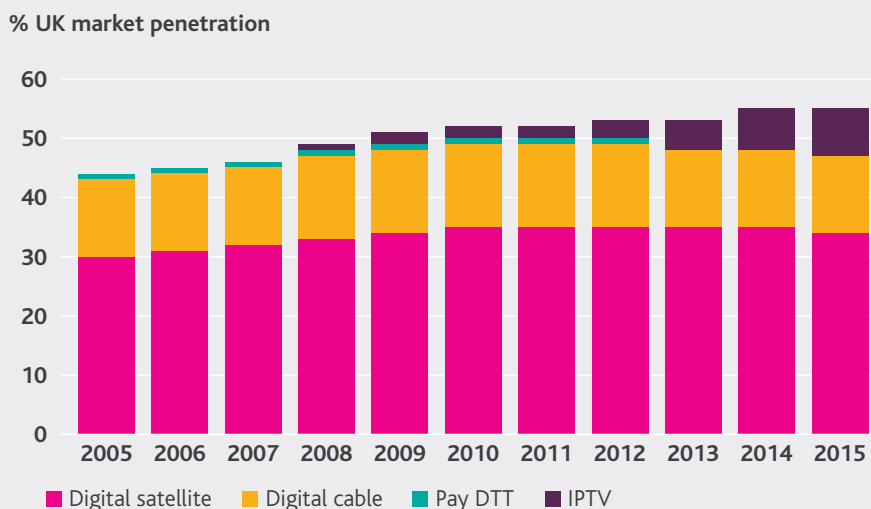
In order to ensure that the BBC continues to flourish, and is able to provide world class public service content and services in an evolving media environment, the long-term security of its funding should continue to be considered alongside the impact on the public of the licence fee model. None of the funding models set out in the government’s consultation<sup>230</sup> – the licence fee, a household levy, and a mixed public fee/subscription model – fulfil all the criteria for an ideal funding mechanism for the BBC, and it is clear that there are a range of views among the public as to which is most appropriate. Indeed, the most recent survey by the BBC on this issue found support for the licence to be below 50 per cent.<sup>231</sup> However, as this chapter has already set out, the government believes that the licence fee remains the most appropriate funding model for the BBC for the coming Charter period.

While a levy may have the potential to address some of the criticisms of the current system, including the criminal sanction for TV licensing offences, and the regressive nature of the charge, it currently does not command significant public support. Furthermore, it would also mean a significant number of people who do not directly consume BBC services would be asked to fund the BBC in a way they do not do so now.

But audience habits and attitudes are changing and there has never been so much choice for audiences, both in terms of content and access. Conditional access technology will also become increasingly available; and support for flat-rate fees could decline, particularly with changes in consumption habits.

So while the licence fee is the most appropriate funding model for the next 11-year Charter period, it may or may not be the best option in the decades beyond, as technology and media consumption habits continue to develop.

**Box 54. The popularity of subscription services is growing**



Source: Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, 2016



There are additional opportunities for the BBC to maximise revenue for consumption of its services, and to explore options for providing content for which it could charge. The government supports the BBC continuing to develop such initiatives domestically as well as abroad. Indeed the BBC already offers commercial services for an additional charge in the UK: the exploitation of its archive via the commercial channel portfolio of the broadcaster UKTV which it jointly owns; the new 'BBC Store', which allows digital downloads of favourite BBC shows to be purchased; and the BBC has for many years supplemented its income through the sale of DVDs and VHS.<sup>232</sup>

The government is clear that the licence fee should remain the bedrock of funding for the BBC, and there are no plans to replace it with a subscription model in the coming Charter period.<sup>233</sup> This is because a subscription model would need to take account of the fact that unless subsidised, it would likely only capture the private rather than the social value of BBC output. It could therefore risk distorting BBC priorities away from the wider public interest and negatively impact on the market. However, this should not prevent or deter the BBC from adapting to a world in which paying for 'top-up' services is becoming more commonplace. Elements of additional subscription revenue should, therefore, be considered and explored.

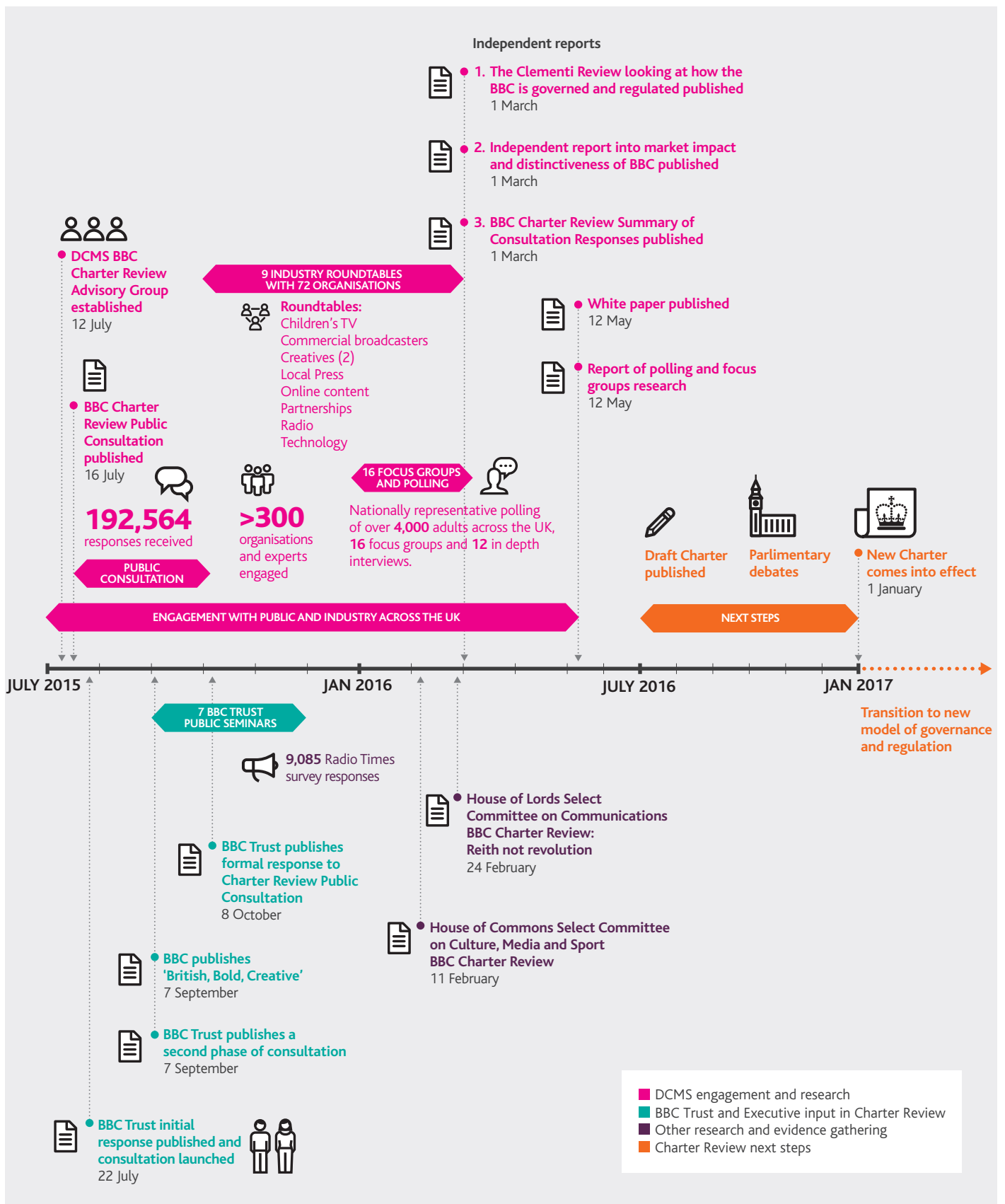
The government welcomes the BBC's commitment to develop and test some form of additional subscription services during the first part of the next Charter period, and to consider whether elements of subscription could provide a more sustainable funding model in the longer term. It will be for the BBC to set the scope of these plans (subject to appropriate regulatory scrutiny) and the BBC board will need to ensure progress and success are appropriately reviewed. The government is clear that this would be for additional services only. Licence fee payers will not be asked to pay for 'top-up' services for anything they currently get. The BBC may therefore lead further developments, pilots and exploration of elements of subscription in the second part of the Charter period, if justified and required, in order to inform the next Charter Review process and for potential wider roll-out in the next Charter.

Additionally, due to the BBC's global reputation, international demand for its content is high. It has been estimated that as many as 65 million people around the world access BBC content for free via the BBC iPlayer.<sup>234</sup> While the BBC disputes this figure, and believes that at least 95 per cent of viewing of television programmes on BBC iPlayer is from within the UK,<sup>235</sup> the government supports any initiatives to use the international demand for BBC content to maximise revenue, and to address the situation whereby international audiences are accessing content for free that is funded by UK licence fee payers. The BBC is already considering the best way to monetise its content abroad, and whether an international subscription model could be developed to address these issues. BBC Worldwide has recently launched BBC Extra as a subscription service in the United States and will evaluate further markets. The government will support such initiatives, and enable the BBC to do what is needed to achieve the most value for licence fee payers.

# 7. Annexes

|  |     |
|--|-----|
| Annex 1 – Charter Review timeline      | 105 |
| Annex 2 – Consultation and engagement  | 106 |
| Annex 3 – Summary of consultation data | 109 |
| Annex 4 – Summary of polling           | 112 |
| Glossary                               | 116 |
| End notes                              | 118 |

# Annex 1 – Charter Review timeline



## Annex 2 – Consultation and engagement

The government committed to an open and transparent Charter Review. In considering the 192,564 responses to the public consultation, 9,085 responses to a Radio Times survey and the 4,000 people that participated in nationally representative polling, 16 focus groups and 12 in-depth interviews, DCMS has heard from or engaged with over 300 organisations and industry experts. We are grateful to everyone who has contributed to the process to date.

### Advisory panel

Panel members were acting as individuals, and not representing the views of their organisations.

#### Alex Mahon

Former CEO Shine productions

#### Andrew Fisher

Executive Chairman of Shazam

#### Ashley Highfield

Chief Executive of Johnston Press

#### Colette Bowe, Dame

Chairman of the Banking Standards Board, President of the Voice of the Listener and Viewer and former Chair of Ofcom

#### Darren Henley

CEO of Arts Council England and former Managing Director of Classic FM

#### Dawn Airey

CEO of Getty Images and former Chairman of Channel 5

#### Lopa Patel

Founder of NewAsianPost.com and inclusion think tank Diversity UK

#### Stewart Purvis

Professor of Journalism and former CEO of ITN

### Nine roundtable events

#### Creatives (I)

Andy Pryor  
Armando Iannucci  
(writer and producer)  
Comic Relief & Sports Relief  
Directors UK  
Hat Trick  
Jesse Armstrong  
John Lloyd  
Left Bank Pictures  
Outline  
PBJ Management

#### Creatives (II)

Abi Morgan  
Boundless  
Curve Media  
Directors UK  
Douglas Road Productions  
Jed Mercurio  
Neal Street Productions  
Agency, The

#### Children's TV

Aardman Animation  
Baroness Floella Benjamin  
Blue Zoo Productions  
Children's Media Foundation (CMF)  
Entertainment One Family  
Kindle Entertainment  
Novel Entertainment  
Producers Alliance for Cinema and Television (Pact)  
Jeanette Steemers, Prof  
Writer's Guild's Children's Committee  
Zodiak Kids Studio

#### Commercial broadcasters

21st Century Fox  
Commercial Broadcasters Association (COBA)  
Discovery Networks  
Disney  
QVC UK  
Scripps Networks International  
Sky  
Turner Broadcasting Systems

### Local press

Archant  
CN Group  
Johnston Press  
KM Group  
Local World  
Newsquest  
News Media Association  
Society of Editors  
Tindle News Group  
Trinity Mirror

### Online content

ArtUK  
Founders Factory  
Guardian News & Media  
ITV  
Johnston Press  
News Media Association  
Reed Smith  
Trinity Mirror

### Partnerships

Association of British Orchestras  
Association of Independent Festivals  
British Museum  
Creative Industries Federation  
National Theatre Wales  
Open University  
Royal Shakespeare Company  
UK Music

### Radio

Bauer Radio  
Folder Media  
Global Radio  
Jazz FM  
Radiocentre  
Radio Independents Group  
UTV (Talk Sport)

### Technology

Arqiva  
Cisco  
Digital Television Group (DTG)  
Fujitsu  
Samsung  
Tech UK

## Additional organisations and experts engaged included:

### A

AM for Blaenau Gwent  
 AM for Cardiff Central  
 AM for South Wales West/  
 Welsh Lib Dems  
 Amazon  
 An Comunn Gaidhealach  
 An Ghaelárais Irish Language Centre  
 Andrew Neil (Broadcaster and  
 Journalist)  
 Apple  
 Argyll and Bute Council  
 Arts Council England  
 Arts Council of Wales  
 Association of Independent Music  
 Austrian Broadcasting Corporation

### B

Bayerischer Rundfunk  
 BBC Executive  
 BBC Trust  
 BBC Studios  
 BBC Worldwide  
 Broadcasting, Entertainment,  
 Cinematograph and Theatre Union,  
 The (BECTU)  
 BFI  
 Birmingham County Council  
 Bord na Gaidhlig  
 Bournemouth University  
 British Academy of Songwriters,  
 Composers and Artists  
 British Horseracing Authority  
 British Recorded Music Industry (BPI)  
 Broadcast  
 Broadcasting Spectrum Collaborative  
 Projects  
 BT

### C

Campaign for Broadcasting Equality  
 Campaign for Press and Broadcasting  
 Freedom  
 Carnogher Community Association  
 Ceredigion County Council  
 Channel 4  
 Channel 5  
 Chartered Institute of Library &  
 Information Professionals (CILIP)  
 CMS Select Committee  
 Comhairle nan Eilean Siar  
 Commercial Broadcasters Association  
 (COBA)  
 Communications Consumer Panel  
 and ACOD  
 Comunn na Gaidhlig  
 Consultation Institute, The  
 Conradh na Gaeilge  
 Convention of Scottish Local  
 Authorities  
 Co-operative Party, The  
 Cornhairle nan Eilean Siar  
 Development Department  
 Cornwall Council  
 Councillor Upper Bann Sinn Féin  
 CPNI  
 Creative England  
 Creative Industries Council  
 Creative Scotland  
 Creative Skillset  
 Cymdeithas yr Laith  
 Cytûn – Churches Together in Wales

### D

Daniel Jackson, Dr  
 David Clementi, Sir  
 David Ellis, Dr  
 David Puttnam, Lord  
 Des Freedman, Prof  
 Dock10  
 Dwr Cymru Welsh Water

### E

Education Broadcasting Council for  
 Northern Ireland  
 Einar Thorsen, Dr  
 Enders Analysis  
 England and Wales Cricket Board (ECB)  
 Equality and Human Rights Commission  
 Equity  
 Ericsson  
 European Audiovisual Observatory  
 European Broadcasting Union

### F

Football Association, The  
 Facebook  
 Federation of Small Businesses  
 Fèisean nan Gàidheal  
 Freedom Association, The

### G

Glasgow City Council  
 Google

### H

Highlands and Islands Enterprise

### I

Independent Producers Scotland  
 Institute of Engineering and Technology  
 Institute of Welsh Affairs  
 International Broadcasting Trust  
 Invest NI  
 Isle of Man Gov  
 Incorporated Society of Musicians (ISM)

### J

John Birt, Lord

### L

Learned Society of Wales, The  
 Liverpool Chamber of Commerce  
 Lenny Henry, Sir  
 Local press owners  
 Local TV Network (LTVN)  
 London First  
 LyleBailie International

## M

Malaria Consortium  
Mark Thompson (former Director  
General of the BBC)  
Mechanical Copyright Protection  
Society  
Media Reform Coalition  
Merched y Wawr  
Metaglu  
Met Office  
MG Alba  
Mo-Sys Camera Motion Systems  
Music Publishers Association

## N

National Assembly for Wales' Cross  
Party Group on the Welsh Language  
National Audit Office  
National Press Owners  
National Union for Journalists  
NBC Universal  
Netflix  
NESTA  
Newsnight Wales Campaign  
Nick Ross (Broadcaster)  
Northern Ireland Executive  
Northern Ireland Screen  
Northern Film and Media  
Northern Visions/NVTV  
NUJ Glasgow Broadcasting Branch

## O

Ofcom  
Ofcom Advisory Committee  
for England  
Ofcom Advisory Committee  
for Northern Ireland  
Ofcom Advisory Committee  
for Scotland  
Ofcom Advisory Committee  
for Wales  
Older People's Commissioner  
for Wales  
Oliver & Ohlbaum  
openDemocracy  
Oxera

## P

Parliament Soft Power Committee  
Patrick Barwise, Prof  
Piers Vitbsky, Dr  
Pinewood Studio  
Plaid Cymru  
PRS for Music  
Publishers Association, The

## R

Revision World Networks  
Robert Beveridge, Prof  
Rondo Media  
Royal National Institute of Blind  
People (RNIB)  
Rugby Football League

## S

S4C  
Save BBC 3  
Save Our BBC  
Scottish Government  
Scottish Professional Football League  
Scottish Sports Association  
Sheffield Live  
Shotoku Broadcast Systems  
Snell Advance Media  
Social Democratic Labour Party (SDLP)  
Society of Authors, The  
Somethin' Else  
Sound Start  
South Wales Police Commissioner  
South West News Service  
Sport England  
Steven Barnett, Prof  
STV (Scottish Television)

## T

techUK  
Teledwyr Annibynnol Cymru (TAC)  
Telesgop  
Third Age Trust, The  
Traditional Music & Song Association  
of Scotland

## U

UK Lawyers for Israel  
UK Interactive Entertainment Industry  
UK Screen Association  
UK Sport  
Ulster Orchestra  
Ulster Orchestra Society  
United Against Separation  
Urdd Gobaith Cymru

## V

Voice of the Listener and Viewer (VLV)  
Voice of British Advertisers  
Viacom International Media Networks  
(VIMN)  
Virgin Media  
Voice of the Listener and Viewer

## W

Wellcome Trust  
Welsh Government  
Welsh Language Commissioner  
What Next? Cardiff

A number of Members of Parliament  
also responded to the public  
consultation.

## Annex 3 – Summary of consultation data

19 questions asked  
 12 week consultation period  
 192,564 responses received – 184,898 emails and 7,666 online  
 Over 60,000 responses arrived on final 2 days of consultation period  
 81% of responses said BBC serving audiences very well

| Question  | Response   | % of valid responses |
|---|--|----------------------|
| <b>General</b>  | Don't like or understand the consultation/question   | 6%                   |
|   | The BBC should remain independent  | 20.7%                |
|   | Responses with anti BBC/BBC Bias/abolish the BBC comments  | 2.3%                 |
| <b>Q1: How can the BBC's public purposes be improved so there is more clarity about what the BBC should achieve?</b>  | No changes are needed to the public purposes   | 2.8%                 |
|   | Changes should be made to the public purposes  | 1.9%                 |
| <b>Q2: Which elements of universality are most important for the BBC?</b>   | All elements of universality are important for the BBC   | 34.6%                |
|   | The BBC should provide all types of content and meet the needs of everyone   | 41%                  |
|   | Covering single unifying events such as the Proms, Royal Weddings, major sporting events and elections is most important | 9.9%                 |
|   | The BBC should be available and accessible on all platforms  | 11.6%                |
|   | The BBC should not seek to be universal  | 2.4%                 |
| <b>Q3: Should Charter Review formally establish a set of values for the BBC?</b>  | No – the BBC should not establish a set of values  | 1.7%                 |
|   | Yes – the BBC should establish a set of values   | 0.8%                 |
| <b>Q4: Is the expansion of the BBC's services justified in the context of increased choice for audiences? Is the BBC crowding out commercial competition and, if so, is this justified?</b> | Yes – expansion of the BBC's services is justified   | 68.5%                |
|   | No – expansion of the BBC's services is not justified  | 5.5%                 |
|   | Yes – the BBC is crowding out competitors but this is justified  | 3.3%                 |
|   | Yes – the BBC is crowding out competitors and this is not justified  | 0.5%                 |
|   | No – the BBC is not crowding out competitors   | 15.2%                |
| <b>Q5: Where does the evidence suggest the BBC has a positive or negative wider impact on the market?</b>   | The evidence suggests the BBC has a positive wider impact on the market  | 65.9%                |
|   | The evidence suggests the BBC has a negative wider impact on the market  | 3.3%                 |
| <b>Q6: What role should the BBC have in influencing future technological landscape including in future radio switchover?</b>  | The BBC should have very little or no role   | 0.3%                 |
|   | The BBC should have a leading or very big role   | 1.5%                 |
|   | The BBC should have a partnership or moderate role   | 0.2%                 |
|   | The BBC should have a positive role in radio switchover  | 0.4%                 |
| <b>Q7: How well is the BBC serving its national and international audiences?</b>  | The BBC is serving its audiences well or very well   | 81.4%                |
|   | The BBC is not serving its audiences very well or could improve  | 6.3%                 |
| <b>Q8: Does the BBC have the right genre mix across its services?</b>   | Yes it has the right genre mix (including generally/mostly/probably/think so responses)                                  | 15.8%                |
|   | No, the BBC does not have the right genre mix  | 3.7%                 |
| <b>Q9: Is the BBC's content sufficiently high quality and distinctive from that of other broadcasters? What reforms could improve it?</b>   | The BBC's content is sufficiently high quality and distinctive   | 74.2%                |
|   | The BBC's content is not sufficiently quality and distinctive  | 8.2%                 |
| <b>Q10: How should the system of content production be improved through reform of quotas or more radical options?</b>   | The system should be changed   | 0.6%                 |
|   | The system should not be changed   | 0.7%                 |

| Question  | Response   | % of valid responses |
|---|--|----------------------|
| <b>Q11: How should we pay for the BBC and how should the licence fee be modernised?</b>   | No change is needed  | 59.8%                |
|   | Licence fee – reform of the fee is required (see consultation document definitions) including closing the iPlayer loophole | 15.1%                |
|   | Universal Household Levy (see consultation document definitions)   | 3.9%                 |
|   | Mixed public funding and subscription (see consultation document definitions)  | 2.3%                 |
|   | Full subscription  | 3.1%                 |
|   | Advertising  | 1.4%                 |
| <b>Q12: Should the level of funding for certain services or programmes be protected? Should some funding be made available to other providers to deliver public service content?</b>  | Yes – the level of funding for certain services should be protected  | 4.7%                 |
|   | No – funding for certain services should not be protected  | 1%                   |
|   | Yes – funding can be offered to others with conditions   | 0.8%                 |
|   | No – funding should not be made available to other broadcasters  | 1.3%                 |
| <b>Q13: Has the BBC been doing enough to deliver value for money? How could it go further?</b>  | Yes – the BBC has done enough to deliver value for money   | 75.7%                |
|   | No – the BBC has not done enough to delivery value for money   | 10.7%                |
| <b>Q14: How should the BBC's commercial operations, including BBC Worldwide, be reformed?</b>   | No reform to the BBC's commercial operations is needed   | 4.5%                 |
|   | Reform to the BBC's commercial operations is needed  | 1.6%                 |
| <b>Q15: How should the current model of governance and regulation for the BBC be reformed?</b>  | The BBC's governance should not be changed   | 1.9%                 |
|   | The BBC Trust should be reformed   | 1.3%                 |
|   | There should be a standalone regulator   | 5.3%                 |
|   | Ofcom should regulate the BBC  | 3.5%                 |
|   | Other reform to the BBC's governance is required   | 3.1%                 |
| <b>Q16: How should Public Value Tests and Service Licences be reformed and who should have the responsibility for making these decisions?</b>   | Public Value Tests and Service Licences shouldn't change/ should stay the same/there are no problems with them             | 1.1%                 |
|   | Reform of the Public Value Tests and Service Licences is required  | 0.7%                 |
| <b>Q17: How could the BBC improve engagement with licence fee payers and the industry, including through research, transparency and complaints handling?</b>  | The BBC should improve by engaging more  | 4.4%                 |
|   | No change is needed to improve engagement  | 1.2%                 |
| <b>Q18: How should the relationship between Parliament, Government, Ofcom, the National Audit Office and the BBC work? What accountability structures and expectations, including financial transparency and spending controls, should apply?</b> | The BBC's relationship with government/Parliament/Ofcom should not change  | 4.4%                 |
|   | The current relationship and accountability structures should change   | 9.7%                 |
|   | The BBC should remain independent from government/Parliament/Ofcom   | 72.8%                |
| <b>Q19: Should the existing approach of a 10-year Royal Charter and Framework Agreement continue?</b>   | Yes – the BBC should have the same Charter   | 1.2%                 |
|   | No – the BBC should have a longer Charter  | 0.3%                 |
|   | No – the BBC should have a shorter Charter or a break point  | 0.4%                 |

#### Responses from organisations and industry experts

The responses received from organisations and industry experts generally contained a great deal of detail, as they were received from organisations with a large amount of expertise in their area. These responses were analysed against the consultation areas they covered and the specific points raised



### Radio Times 'Give your views on the BBC' survey

In August 2015, the Radio Times conducted a survey of its readers, asking 16 questions related to the Charter Review. 9,085 responses were received and have been considered as part of the Charter Review process. The results, published by the Radio Times, show that respondents:

- Support the principal of a publicly funded broadcaster (95.7%), supported by the licence fee (91.4%), which rises with inflation (88.1%);
- Would consider paying for a TV licence even if entitled to a free one (80.5%);
- Don't think the BBC tries to cover too much (75.2%);
- Shouldn't try to avoid high profile scheduling clashes (57.7%) and shouldn't make fewer entertainment shows (59.5%);
- Think the BBC's content is sufficiently high quality and distinctive from other broadcasters (84.9%), and has the right mix of genres (78.9%);
- Don't think that licence fee funds should be made available to other broadcasters (80.4%);
- Support three mainstream popular music stations (56.8%);
- Shouldn't divert money from other genres to sport (83.3%) and shouldn't create a dedicated sports channel (56.3%).

Two of the questions allowed respondents to make additional comments. Analysis of these responses has shown that:

- 3% indicated that there should be some sort of licence fee reform – including closing the iPlayer loophole or changing arrangements for those over 75.
- On the BBC's genre mix, 7.1% indicated that there should be less light entertainment programmes and 4.9% indicated that higher quality and distinctive services and content were needed.

## Annex 4 – Summary of polling

- DCMS commissioned GfK Social Research to conduct quantitative and qualitative research to explore public views of the BBC.
- The **quantitative research** consisted of 2 waves of nationally representative polling with a sample of approximately 2,000 UK adults aged 16+ each wave. Random location sampling was used in both waves and interviews were conducted face to face in people's homes.
  - Wave 1 (16 questions) was conducted between 20th and 26th January 2016 with a sample of 2,093.
  - Wave 2 (10 questions) was conducted between 26th February and 1st March 2016 with a sample of 2,119.
- The **qualitative research** involved 16 mini focus groups (5-6 people in each) and 12 in-depth telephone interviews to explore people's views in more detail, conducted between 26th January and 5th February 2016.
  - The focus group sessions were held all over the country, with some being specifically for underserved audiences (young people aged 18-24 and BAME audiences). All of the telephone interviews were with speakers of minority languages.
  - Below is a summary of the key findings – the full report will be published separately.
  - The findings indicated that most people were happy with the BBC's recent expansion but very few of those asked supported increases in the licence fee in the future: 61 per cent would rather it was frozen or cut.

| Question   | Response  | % of all respondents |
|--|---|----------------------|
| Thinking about the BBC generally, what is your overall impression, on a scale of 1 to 10, where 1 means extremely unfavourable and 10 means extremely favourable?  | Mean score  | 6.4                  |
| The BBC's mission is to inform, educate and entertain audiences with programmes and services of high quality, originality and value. Thinking about the aim to inform/educate/entertain, how well do you think the BBC serves your household?  | To inform: performs well  | 73%                  |
|  | To educate: performs well   | 70%                  |
|  | To entertain: performs well   | 71%                  |
| There are different views on the expansion of BBC services. Which of the two views on this card comes closest to your own?*  | I am glad that the BBC now has more TV channels, radio stations and online services – it gives me much more choice – and I am happy to continue paying for this at the level I do now   | 55%                  |
|  | I think that the expansion of the BBC services has gone too far – I would rather pay less than I do now and lose some of these extra TV channels and radio stations and online services   | 32%                  |
|  | Don't care  | 8%                   |
|  | Don't know  | 5%                   |
| The BBC has introduced a wide range of new channels, radio stations and online services. At the same time, commercial broadcasters have also expanded what they do. There are many different views on the expansion of BBC services. Please indicate how much you agree or disagree with the following statements. | <b>Proportion agreeing with</b> "The BBC should continue to expand its services to take full advantage of developments in technology but without adding TV channels"  | 58%                  |
|  | <b>Proportion agreeing with</b> "The fact that commercial services have expanded or been established (e.g. ITV digital channels and Netflix) at the same time as the BBC has expanded shows that the BBC is not crowding out the competition"       | 52%                  |
|  | <b>Proportion agreeing with</b> "As there are so many new types of media services provided by other organisations (e.g. Netflix, Amazon Prime plus channels like More4 and new Sky channels), the BBC does not need to further expand its services" | 46%                  |
|  | <b>Proportion agreeing with:</b> "As the BBC has national, regional ad local radio stations it is very hard for commercial providers to get many listeners"   | 31%                  |

| Question  | Response  | % of all respondents |
|---|---|----------------------|
| The BBC licence fee costs £145.50 a year – the equivalent of £12.13 per month. Thinking about this and the services the BBC offers, in particular TV channels, radio, online services and website, do you think that the BBC offers good or bad value for money?                                  | Good value  | 45%                  |
|   | Bad value   | 32%                  |
|   | Neither   | 19%                  |
|   | Don't know  | 4%                   |
| As indicated, the BBC is funded via the licence fee which costs £145.50 a year – the equivalent of £12.13 per month. It will stay frozen at this rate until 2017. Thinking about the five years after this, which of the following statements is closest to your own view?                        | Should be increased above inflation   | 2%                   |
|   | Should be increased in line with inflation  | 20%                  |
|   | Should be frozen  | 30%                  |
|   | Should be reduced   | 31%                  |
|   | None of these   | 10%                  |
|   | Don't know  | 6%                   |
| People have differing views around whether the BBC spends its licence fee funding efficiently. Which of the following statements comes closest to your view?  | The BBC is efficient in how it spends its money   | 23%                  |
|   | The BBC is not efficient in how it spends its money   | 35%                  |
|   | Neither   | 25%                  |
|   | Don't know  | 16%                  |
| Currently, the BBC is funded via the licence fee which costs £145.50 a year – the equivalent of £12.13 per month. There are a number of ways in which people might pay for the BBC in the future. For each of them, please tell me if you think it would be a good or bad way of funding the BBC. | <b>Proportion saying good:</b> The licence fee as now   | 47%                  |
|   | <b>Proportion saying good:</b> The same licence fee as now for most people but a lower or no charge for those on the lowest incomes | 49%                  |
|   | <b>Proportion saying good:</b> Universal household levy   | 37%                  |
|   | <b>Proportion saying good:</b> Lower licence fee and subscription   | 34%                  |
|   | <b>Proportion saying good:</b> Current licence fee and subscription   | 28%                  |
| If you had to choose just one of these options, which would you prefer to be used for the future funding of the BBC?  | The licence fee as now  | 29%                  |
|   | The same licence fee as now for most people but a lower or no charge for those on the lowest incomes                                | 25%                  |
|   | Universal household levy  | 11%                  |
|   | Lower licence fee and subscription  | 14%                  |
|   | Current licence fee and subscription  | 8%                   |
|   | Don't know  | 12%                  |

■ Wave 1 survey data  
■ Wave 2 survey data

\* Prior to this question participants were shown an infographic illustrating the expansion of BBC services between 1995 and 2015

| Question   | Response   | % of all respondents |
|--|--|----------------------|
| <p>£3.7 billion is raised through the licence fee each year – currently almost all of this is spent on the BBC’s own radio and TV programmes and services, including public service content. Should more of this money be made available to other free-to-air broadcasters and independent producers to commission and make public service content? This might be shown on the BBC or on other networks.</p> | Yes  | 49%                  |
|  | No   | 39%                  |
|  | Don't know   | 12%                  |
| <p>Should the government require the BBC to guarantee a minimum level of funding for any of these types of public service broadcasting or should these decisions be left to the BBC?</p>   | Yes, the government should require minimum funding   | 50%                  |
|  | No, decisions should be left to the BBC  | 38%                  |
|  | Don't know   | 12%                  |
| <p>The 803 participants who supported government ring fencing were shown a list of public service genres and asked: Please read out any that you think should be protected.</p>  | News   | 55%                  |
|  | Children's (under 16s)   | 43%                  |
|  | Current affairs programmes (e.g. <i>Panorama</i> and <i>Question Time</i> )  | 40%                  |
|  | The World Service  | 37%                  |
|  | Local TV   | 35%                  |
|  | Younger people's (16-34)   | 27%                  |
|  | Music (e.g. Glastonbury and the Proms)   | 24%                  |
|  | Religious programmes   | 21%                  |
|  | Arts (e.g. <i>The Culture Show</i> )   | 20%                  |
|  | Minority language services   | 17%                  |
| Don't know   | 13%  |                      |
| <p>Thinking about the quality of BBC content, please indicate how much you agree or disagree with the following statements.</p>  | <b>Proportion agreeing with:</b> The BBC makes consistently high quality TV and radio programmes and online content              | 59%                  |
|  | <b>Proportion agreeing with:</b> The BBC shows too many repeats  | 49%                  |
|  | <b>Proportion agreeing with:</b> Other broadcasters content is generally less high quality than the BBC's                        | 32%                  |
|  | <b>Proportion agreeing with:</b> The BBC shows too many imported programmes, rather than showing enough British made programming | 24%                  |
| <p>Do you think the balance of the BBC's overall content should be distinctive because it is publicly funded? By that I mean being different to that from other broadcasters.</p>  | Yes  | 59%                  |
|  | No   | 29%                  |
|  | Don't know   | 12%                  |

■ Wave 1 survey data

■ Wave 2 survey data

| Question  | Response  | % of all respondents |
|---|---|----------------------|
| Thinking about whether the BBC's content is distinctive compared to that from other broadcasters, please indicate how much you agree or disagree with the following statements.   | <b>Proportion agreeing with:</b> It is okay for the BBC to show the same sorts of programmes as commercial broadcasters as long as they aren't on at exactly the same time  | 50%                  |
|   | <b>Proportion agreeing with:</b> BBC1 and ITV1 are quite similar, apart from the adverts  | 43%                  |
|   | <b>Proportion agreeing with:</b> The BBC makes lots of TV programmes that no other broadcaster would make   | 38%                  |
|   | <b>Proportion agreeing with:</b> The BBC makes lots of programmes that are more daring or innovative than those made by other broadcasters  | 27%                  |
|   | <b>Proportion agreeing with:</b> Radio 1 and commercial pop radio stations like Capital Network and Absolute Radio are quite similar, apart from the adverts  | 31%                  |
|   | <b>Proportion agreeing with:</b> Radio 2 and commercial pop radio stations like Magic FM and Heart Network are quite similar, apart from the adverts  | 31%                  |
|   | <b>Proportion agreeing with:</b> The coverage of news on the BBC website is much the same as that available on other websites   | 39%                  |
|   | <b>Proportion agreeing with:</b> Other than news, the content on the BBC website is much the same as available on other websites  | 34%                  |
|   | <b>Proportion agreeing with:</b> The BBC makes lots of online and website content that no other organisation would make   | 27%                  |
| The BBC sometimes promote their television programmes on BBC radio and their radio programmes on BBC television – so for example you may hear information about a new BBC1 drama series on Radio 2 or you may see a promotion for Radio 1's Breakfast show between programmes on BBC1. This is known as 'cross promotion'. Have you seen or heard any of this kind of cross-promotion on the BBC? | Yes   | 54%                  |
|   | No  | 41%                  |
|   | Don't know  | 4%                   |
| The 1,113 aware of cross promotion were asked: Have you ever then chosen to watch or listen to another BBC programme as a result of any cross promotion?  | Yes   | 59%                  |
|   | No  | 39%                  |
|   | Don't know  | 2%                   |
| Still thinking about 'cross promotion' please indicate how much you agree or disagree with the following statements.  | <b>Proportion agreeing with:</b> The BBC should be able to promote its services across its television channels and radio stations, however it likes   | 65%                  |
|   | <b>Proportion agreeing with:</b> As the BBC can promote for free its television programmes on its radio stations and its radio stations via its television channels this gives it an unfair advantage over other broadcasters | 30%                  |
|   | <b>Proportion agreeing with:</b> As the BBC offers lots of different services it makes sense to tell people about what is available in different ways including cross-promotion   | 67%                  |
| The 1,113 aware of cross promotion were asked: Still thinking about 'cross promotion' please indicate how much you agree or disagree with the following statements.   | <b>Proportion agreeing with:</b> I like hearing about BBC television programmes on the radio or radio programmes via the television as I learn about new programmes which I may otherwise not have heard about                | 68%                  |
|   | <b>Proportion agreeing with:</b> The BBC does too much cross promotion – it wastes air time which should be dedicated to programming  | 23%                  |
|   | <b>Proportion agreeing with:</b> The BBC does too much cross promotion – it wastes air time which should be dedicated to programming  | 21%                  |

# Glossary

## **BBC Executive**

The Executive Board is responsible for the operational management of the BBC.

## **BBC Trust**

The BBC Trust is the governing body of the BBC.

## **BBC Group**

The BBC Group refers to the BBC and its commercial subsidiaries.

## **BBC Studios**

The BBC's proposed new commercial production subsidiary.

## **BDUK**

Broadband Delivery UK – the delivery arm for the government's broadband programmes (and part of the Department for Culture, Media & Sport).

## **Broadband**

A term used by retail internet service providers to describe their high-speed, always-on, access to the internet. The term broadband originally refers to the range of high frequency signals used to carry the data being transmitted. Broadband is most often delivered via connection through a telephone line or cable service, but can also be delivered using wireless and satellite connections. A potential access speed of less than 512 kbps is deemed not to be broadband.

## **Catch-up TV**

or TV 'on demand', is a system for watching TV programmes after they have been broadcast using a computer, phone, etc. that is connected to the internet.

## **Clementi Review**

Independent review into the governance and regulation of the BBC led by Sir David Clementi.

## **DAB**

Digital Audio Broadcasting.

## **DCMS**

Department for Culture, Media & Sport.

## **Delivering Quality First**

Delivering Quality First (DQF) is the BBC's plan for delivering efficiency savings of £700 million per year by 2016/17.

## **Digital switchover**

The process of switching over the analogue television broadcasting system to digital, as well as ensuring that people adapted or upgraded their televisions and recording equipment to receive digital TV. This process was completed across the UK in 2012.

## **MIA**

Market Impact Assessment – an element of the Public Value Test that looks at the impact of any new BBC service or significant change to an existing BBC service.

## **NAO**

National Audit Office.

## **Ofcom**

The Office for Communications – independent regulator and competition authority for the UK communication industries.

## **On-demand**

see 'catch-up TV' above.

## **Operating Licence**

New licensing regime for the BBC to be administered by Ofcom, replacing the existing Service Licence regime administered by the BBC Trust (see Service Licence).

## **Peak time**

Peak time is when consumption of content is usually highest. For television Ofcom define this as 6pm to 10.30pm.

## **Perry Review**

Independent review into the decriminalisation of the licence fee, led by Sir David Perry.

## **PSB**

Public Service Broadcaster (or Broadcasting) – in the UK these are: the BBC, ITV, Channel 4, S4C and Channel 5.

## **PVT**

Public Value Test – the process set out in the current Charter for how the BBC Trust determines whether new BBC services and changes to services should go ahead, taking into account the public value and market impact.

### **S4C**

A Welsh language public service television channel based broadcast throughout Wales.

The first television channel to be aimed specifically at a Welsh-speaking audience, S4C is (after BBC One, ITV, BBC Two and Sky1) the fifth-oldest television channel in the United Kingdom (Channel 4 was launched in the rest of the country one day later).

### **Service Licence**

Services Licences are issued by the BBC Trust for every UK public service. It defines the scope, aims, objectives, headline budget and other important features of each service and states how performance is assessed by the Trust.

### **Smart television**

The integration of the internet (and associated software applications) into television sets and associated devices such as Blu-Ray players, games consoles and set-top boxes. Consumers can browse the internet and access a range of services (catch-up TV, video-on-demand, user-uploaded content), as well as linear broadcast TV content, via their TV screen.

### **Spectrum**

Radio spectrum – those sections of the electromagnetic spectrum (typically defined as between 3KHz and 300GHz) which are used by a wide range of wireless based services including broadcasting, telecommunications and business radios.

### **Superfast Broadband**

BDUK (see previous) defines Superfast Broadband as having a potential headline access speed of at least 24mbps, with no upper limit. Typically, at a wholesale level, the underlying capability can be measured in gigabits. The retail market then takes this capability and delivers affordable propositions.

### **Telecommunications**

Conveyance over distance of speed, music and other sounds, visual images or signals by electric, magnetic or electromagnetic means.

### **Terms of Trade**

Guidance produced by Ofcom (in their 'Code of Practice for Commissioning from Independent Producers') setting out how public service broadcasters should negotiate agreements with the independent production sector over the commissioning of new works.

### **Ultra HD**

Ultra-high-definition television (also known as Super Hi-Vision, Ultra HD television, UltraHD, UHD TV, or UHD) includes 4K UHD (2160p) and 8K UHD (4320p), which are two digital video formats proposed by NHK Science & Technology Research Laboratories and defined and approved by the International Telecommunication Union (ITU).

### **Unitary board**

A structure for governing an organisation whereby a single board made up of executive and non-executive members has collective responsibility.

### **WOCC**

Window of Creative Competition.

## End notes

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- 10 BBC Media Centre, BBC's weekly global audience rises to record 348m , 29.04.2016: <http://www.bbc.co.uk/mediacentre/latestnews/2016/bbc-weekly-global-audience>
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- <sup>24</sup> BBC Annual Report and Accounts 2014/15, July 2015, p.84: <http://downloads.bbc.co.uk/annualreport/pdf/2014-15/bbc-annualreport-201415.pdf>
- <sup>25</sup> BBC Full Financial Statements 2014/15, p.26: <http://downloads.bbc.co.uk/annualreport/pdf/2014-15/BBC-FS-2015.pdf>
- <sup>26</sup> BBC Annual Report and Accounts 2014/15, July 2015, p.14: <http://downloads.bbc.co.uk/annualreport/pdf/2014-15/BBC-FS-2015.pdf>
- <sup>27</sup> The Yearbook of the European Audiovisual Observatory 2015 ranked the BBC number one in the 50 leading European PSBs in terms of unconsolidated operating revenues: <http://www.obs.coe.int/en/home>
- <sup>28</sup> Creative Industries Economic Estimates January 2016, p.12: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/494927/Creative\\_Industries\\_Economic\\_Estimates\\_-\\_January\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494927/Creative_Industries_Economic_Estimates_-_January_2016.pdf)
- <sup>29</sup> BBC Media Centre, BBC's weekly global audience rises to record 348m, 29 April 2016: <http://www.bbc.co.uk/mediacentre/latestnews/2016/bbc-weekly-global-audience>
- <sup>30</sup> Portland and Professor Joseph Nye, Soft Power 30 Index 2015, July 2015: <http://softpower30.portland-communications.com/>
- <sup>31</sup> NatCen Social Research for BBC Trust, Purpose Remit Survey UK report, July 2015, p.8: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/review\\_report\\_research/ara\\_2014\\_15/uk.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/review_report_research/ara_2014_15/uk.pdf)
- <sup>32</sup> DCMS, BBC Charter Review Public Consultation: Summary of Responses, March 2016: BBC served audience well or very well (81 per cent); the BBC's content is sufficiently high quality and distinctive (74.2 per cent); BBC should remain independent (72 per cent), p.39: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504099/BBC\\_Charter\\_Review\\_Public\\_Consultation\\_-\\_Summary\\_of\\_Responses.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504099/BBC_Charter_Review_Public_Consultation_-_Summary_of_Responses.pdf)
- <sup>33</sup> BBC, British, Bold, Creative, The BBC's Programmes and Services in the next Charter, September 2015, p.6: <https://downloads.bbc.co.uk/aboutthebbc/reports/pdf/futureofthebbc2015.pdf>

- <sup>34</sup> Ofcom, PSB Annual Report, July 2015. Around two thirds (67 per cent) of households now have a digital video recorder, take up of connected TVs is growing and almost half of (48 per cent) of adults watch on demand/catch-up service, p.7: [http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB\\_Annual\\_Report\\_summary.pdf](http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB_Annual_Report_summary.pdf)
- <sup>35</sup> Ofcom, Review of the operation of the television production sector: A report for the Secretary of State for Culture, Media & Sport, December 2015: [http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/tv-production-sector-review/TV\\_Production\\_Sector\\_Review.pdf](http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/tv-production-sector-review/TV_Production_Sector_Review.pdf)
- <sup>36</sup> Committee on Standards in Public Life, Ethical standards for providers of public services, June 2014, p.5: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/498235/CSPL\\_EthicalStandards\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/498235/CSPL_EthicalStandards_web.pdf)
- <sup>37</sup> Edelman, 2016 Edelman Trust Barometer: Executive Summary, p.3: <http://www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/executive-summary>
- <sup>38</sup> NatCen Social Research, British Social Attitudes: the 30th Report, 2013, p.16: <http://www.bsa.natcen.ac.uk/latest-report/british-social-attitudes-30/key-findings/introduction.aspx>
- <sup>39</sup> Population Estimates for UK, England and Wales, Scotland and Northern Ireland, mid-2014: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-uk--england-and-wales--scotland-and-northern-ireland/index.html>
- <sup>40</sup> Ofcom, PSB Annual Report 2015, July 2015, p.7: [http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB\\_Annual\\_Report\\_summary.pdf](http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB_Annual_Report_summary.pdf)
- <sup>41</sup> Ofcom, PSB Annual Report 2015, July 2015, p.16: [http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB\\_Annual\\_Report\\_summary.pdf](http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB_Annual_Report_summary.pdf)
- <sup>42</sup> This fits within the government's Counter-Extremism Strategy which notes the important role of broadcast media: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/470088/51859\\_Cm9148\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/470088/51859_Cm9148_Accessible.pdf)
- <sup>43</sup> BBC, BBC Full Financial Statements 2014/15, Jul 2015, p.7: <http://downloads.bbc.co.uk/annualreport/pdf/2014-15/BBC-FS-2015.pdf>
- <sup>44</sup> All sites listed are at the Property (including all the sites and apps owned by the organisation) level. Please note MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams and mobile use. Mobile includes Android smartphones and iOS smartphones and tablets. Only those entities that have been tagged as part of the census network report Android usage data. Google sites include YouTube.
- <sup>45</sup> BBC, British, Bold, Creative, The BBC's Programmes and Services in the next Charter, September 2015, p.24: <https://downloads.bbc.co.uk/aboutthebbc/reports/pdf/futureofthebbc2015.pdf>
- <sup>46</sup> DCMS, BBC white paper: A public service for all: the BBC in the digital age, March 2006, p.10: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/272256/6763.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/272256/6763.pdf)
- <sup>47</sup> BBC Trust, Response to the DCMS's Charter Review Consultation, Technical Annex A: Purposes, Values and Scope, November 2015, p.48. When asked "The BBC offers content and programmes which are distinctive", 60 per cent agreed, 18 per cent disagreed, 21 per cent neither agreed nor disagreed. When asked "The BBC offers content and programmes which are high quality", 73 per cent agreed, 10 per cent disagreed, and 16 per cent neither agreed nor disagreed: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how\\_we\\_govern/charter\\_review/annex\\_a.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/charter_review/annex_a.pdf)

- <sup>48</sup> DCMS, BBC Charter Review Public Consultation, Summary of Consultation Responses, March 2016, p19: Almost three quarters (74 per cent) of the responses to the consultation indicated that the BBC's content is sufficiently high quality and distinctive from that of other broadcasters: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504099/BBC\\_Charter\\_Review\\_Public\\_Consultation\\_-\\_Summary\\_of\\_Responses.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504099/BBC_Charter_Review_Public_Consultation_-_Summary_of_Responses.pdf)
- <sup>49</sup> GfK Social Research for DCMS, Research to explore public views about the BBC, May 2016, p.63. When asked whether the BBC "makes lots of TV programmes that no other broadcaster could make", 38 per cent "agreed", 27 per cent "disagreed". When asked whether the BBC make lots of programmes which are more daring or innovative than those made by other broadcasters, 27 per cent "agreed", 34 per cent "disagreed": [www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc](http://www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc)
- <sup>50</sup> Lord Hall Speech at the Science Museum on the future vision of the BBC, 7 September 2015: <http://www.bbc.co.uk/mediacentre/speeches/2015/tony-hall-distinctive-bbc>
- <sup>51</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, p.13, p.18: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>52</sup> BBC Trust, Service Review of BBC Television, July 2014, p.32: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/service\\_reviews/television\\_services/television\\_services.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/service_reviews/television_services/television_services.pdf) BBC Trust, Service Review Radio 1, 1Xtra, Radio 2, Radio 3, 6 Music and Asian Network, March 2015, p.7: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/our\\_work/music\\_radio/music\\_radio.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/our_work/music_radio/music_radio.pdf)
- <sup>53</sup> BBC, A distinctive BBC, April 2016: [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc\\_distinctiveness\\_april2016.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc_distinctiveness_april2016.pdf)
- <sup>54</sup> Oral Evidence to the Culture, Media and Sport Select Committee: Future of the BBC HC 949, 11 February 2014, Q111, p.17: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/culture-media-and-sport-committee/future-of-the-bbc/oral/6170.pdf>
- <sup>55</sup> BBC Trust response to DCMS's Charter Review Consultation, Technical Annex A: Purposes, Values and Scope, November 2015, p.14. When asked "The BBC's main mission is to 'inform, educate and entertain' its audiences. To what extent do you agree or disagree that this should continue to be the BBC's main mission?", 49 per cent said they "definitely agree", 36 per cent "tend to agree", 10 per cent "neither agree or disagree", 2 per cent "tend to disagree", 1 per cent "definitely disagree", and 2 per cent "don't know": [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how\\_we\\_govern/charter\\_review/annex\\_a.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/charter_review/annex_a.pdf)
- <sup>56</sup> BBC, British, Bold, Creative, The BBC's Programmes and Services in the next charter, September 2015, p.5: <https://downloads.bbc.co.uk/aboutthebbc/reports/pdf/futureofthebbc2015.pdf>
- <sup>57</sup> GfK Social Research for DCMS, Research to explore public views about the BBC, May 2016, p.62. When asked the question: "Do you think the balance of the BBC's overall content should be distinctive because it is publicly funded?" 59 per cent said "Yes", 29 per cent said "No", and 12 per cent said "Don't Know": [www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc](http://www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc)

- <sup>58</sup> BBC Trust response to DCMS's Charter Review Consultation, October 2015, p.7. When asked "Do you think it is important or not important that the BBC...?", 91 per cent said that quality and high editorial standards were "very important" or "fairly important", and 88 per cent said impartiality was "very important" or "fairly important": [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how\\_we\\_govern/charter\\_review/dcms\\_response.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/charter_review/dcms_response.pdf)
- <sup>59</sup> DCMS, BBC Charter Review Public Consultation, Summary of Consultation Responses, March 2016, p.7. When asked the question "How can the BBC's public purposes be improved so there is more clarity about what the BBC should achieve?", 3 per cent said that no change was required, and 2 per cent indicated that some change was required (only 5 per cent responded overall). The majority of organisations who responded said that the current structure of public purposes with more specific purpose remits, provided a "helpful framework" for the BBC to operate within: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504099/BBC\\_Charter\\_Review\\_Public\\_Consultation-Summary\\_of\\_Responses.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504099/BBC_Charter_Review_Public_Consultation-Summary_of_Responses.pdf)
- <sup>60</sup> BBC Trust response to DCMS's Charter Review Government Consultation, October 2015, p.4: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how\\_we\\_govern/charter\\_review/dcms\\_response.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/charter_review/dcms_response.pdf)
- <sup>61</sup> Government roundtables with Creative Industry Experts, 20 and 27 January 2016.
- <sup>62</sup> BBC, A Distinctive BBC, April 2016, p.3: [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc\\_distinctiveness\\_april2016.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc_distinctiveness_april2016.pdf)
- <sup>63</sup> Michael Grade speech at the IPPR Oxford Media Convention, 20 January 2005: [http://www.bbc.co.uk/pressoffice/speeches/stories/grade\\_ippr.shtml](http://www.bbc.co.uk/pressoffice/speeches/stories/grade_ippr.shtml)
- <sup>64</sup> Ofcom, PSB Annual Report 2015 Output and Spend Annex (Fig 21), p.24: [http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB\\_2015\\_Output\\_and\\_Spend.pdf](http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB_2015_Output_and_Spend.pdf)
- <sup>65</sup> DCMS analysis using data submitted by the BBC.
- <sup>66</sup> BBC, Audience Information Data Tables, April – June 2015, p.6: [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/pdf/summary\\_audience\\_information\\_april\\_june\\_2015.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/pdf/summary_audience_information_april_june_2015.pdf)
- <sup>67</sup> BBC Trust, BBC One, Two, Three and Four Service Licence Reviews, 2014, p.6: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/service\\_reviews/television\\_services/television\\_services.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/service_reviews/television_services/television_services.pdf)
- <sup>68</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, pp. 96-99: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>69</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, p.18: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>70</sup> DCMS analysis of data submitted by the BBC to DCMS. Comedy hours on BBC One in peak were 79 hours in 2010 and 70 in 2014. Arts and Music hours on BBC One in peak were 20 hours in 2010 and 13 in 2014.
- <sup>71</sup> Ofcom, Public Service Broadcasting in the Internet Age, July 2015, p.4: [http://stakeholders.ofcom.org.uk/binaries/consultations/psb-review-3/statement/PSB\\_Review\\_3\\_Statement.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/psb-review-3/statement/PSB_Review_3_Statement.pdf)

- <sup>72</sup> BBC Trust, Service Licence Review of BBC TV: BBC One, BBC Two, BBC Three and BBC Four Analysis of Responses to Public Consultation, April 2014, p.11: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/service\\_reviews/television\\_services/consultation\\_analysis.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/service_reviews/television_services/consultation_analysis.pdf)
- <sup>73</sup> GfK Social Research for DCMS, Research to explore public views about the BBC, May 2016, p.63: [www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc](http://www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc)
- <sup>74</sup> BBC Trust, Service Review of BBC Television: BBC One, BBC Two, BBC Three & BBC Four, July 2014: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/service\\_reviews/television\\_services/television\\_services.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/service_reviews/television_services/television_services.pdf)
- <sup>75</sup> BBC, BBC Two fresh and new scores have increased from 73 in July – September 2011, to 79 in April – June 2015. DCMS analysis of 'Fresh and New' scores from BBC audience information: <http://www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/audienceinformation/>
- <sup>76</sup> DCMS analysis of data submitted by the BBC to DCMS. Current Affairs on BBC Two in peak fell from 82 hours in 2010 to 61 hours in 2014. Music and Arts on BBC Two in peak fell from 142 hours in 2010 to 117 hours in 2014. Entertainment hours on BBC Two in peak rose from 197 hours in 2010 to 227 hours in 2014.
- <sup>77</sup> BBC Trust, Service Review of BBC One, Two, Three and Four, July 2014, p.7: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/service\\_reviews/television\\_services/television\\_services.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/service_reviews/television_services/television_services.pdf)
- <sup>78</sup> BFI, Public Investment in Film in the UK, BFI Research and Statistics, December 2015, p.4: <http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-public-investment-in%20film-in-uk-2015.pdf>
- <sup>79</sup> DCMS report, It's still all about the audience: two years on from the film policy review, January 2014, p.19: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/274265/1316-A\\_Film\\_Policy\\_Doc\\_ACCESSIBLE.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/274265/1316-A_Film_Policy_Doc_ACCESSIBLE.pdf)
- <sup>80</sup> RAJAR Quarterly Report, December 2015, Radio 1 has 10.3 million weekly listeners. Radio 2 has 15.5 million listeners a week: [http://www.rajar.co.uk/listening/quarterly\\_listening.php](http://www.rajar.co.uk/listening/quarterly_listening.php)
- <sup>81</sup> BBC, British, Bold, Creative, The BBC's Programmes and Services in the next charter, September 2015, September 2015, p.30: <https://downloads.bbc.co.uk/aboutthebbc/reports/pdf/futureofthebbc2015.pdf>
- <sup>82</sup> RadioCentre Response to DCMS Green Paper on BBC Charter Review, October 2015, p.18, RadioCentre have estimated that the degree of overlap to be 53% for Radio 1 and 65% for Radio 2, but this compares the stations with a broad range of commercial providers: <http://www.radiocentre.org/wp-content/uploads/2015/10/Radiocentre-response-to-DCMS-Green-Paper-on-BBC-Charter.pdf>
- <sup>83</sup> CompareMyRadio, Cake By the Ocean by Dnce has been played 100 times in the previous 30 days on Radio 1: [http://comparemyradio.com/stations/BBC\\_Radio\\_1](http://comparemyradio.com/stations/BBC_Radio_1)
- <sup>84</sup> Radio 1 Service Licence: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/radio/2013/radio\\_1.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/radio/2013/radio_1.pdf)
- <sup>85</sup> Radio 2 Service Licence: [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/radio/2014/radio2\\_apr14.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/radio/2014/radio2_apr14.pdf)

- <sup>86</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, p.123: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>87</sup> GfK Social Research for DCMS, Research to explore public views about the BBC, May 2016, p.69. When asked the question: "Radio 1 and commercial pop radio stations like Capital Network and Absolute Radio are quite similar, apart from the adverts", 31 per cent said they "agree", and "15 per cent said they "disagree". Of those under 25, 42 per cent they "agree". When asked the question: "Radio 2 and commercial pop radio stations like Magic FM and Heart Network are quite similar, apart from the adverts", 31 per cent said they "agree" and 18 per cent said they "disagree": [www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc](http://www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc)
- <sup>88</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, p.123: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>89</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, p.148: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>90</sup> BBC's response to DCMS Green Paper: BBC Charter Review, Audience Appendix, p.46: [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc\\_charter\\_review\\_audiences\\_appendix.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc_charter_review_audiences_appendix.pdf)
- <sup>91</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, p.8: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>92</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, p.8: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
- <sup>93</sup> Oliver & Ohlbaum and Oxera, BBC television, radio and online services: An assessment of market impact and distinctiveness, February 2016, pp. 17-22: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504012/FINAL\\_-\\_BBC\\_market\\_impact\\_assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504012/FINAL_-_BBC_market_impact_assessment.pdf)
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- <sup>231</sup> ICM/Ipsos MORI polling on behalf of the BBC from 2004 to 2015, 2015 findings are from fieldwork conducted in May 2015, cited in p.52, BBC's response to the Department of Culture, Media & Sport's Green Paper: BBC Charter Review, Audience Appendix: [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc\\_charter\\_review\\_audiences\\_appendix.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc_charter_review_audiences_appendix.pdf)
- <sup>232</sup> The BBC also has experience of funding content through alternative funding models outside of the UK. It owns and operates (and partners with) pay TV channels abroad as well as services that carry and are funded in whole or in part by advertising (BBC World and BBC.com online services).
- <sup>233</sup> GfK Social Research for DCMS, Research to explore public views about the BBC, May 2016, p.41: Previous polling evidence has indicated low support for alternative funding models, including subscription (12 representative polling surveys showed an average of 19 per cent support for a subscription model), polling conducted as part of the Charter Review showed that when asked if a lower licence fee with a 'top-up' subscription model would be a good or a bad funding model for the BBC, 34 per cent said this would be a good model, while 38 per cent said it would be bad. However, focus group participants spontaneously mentioned subscription as an alternative funding mechanism and many were attracted by the idea of additional choice: [www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc](http://www.gov.uk/government/publications/research-to-explore-public-views-about-the-bbc)
- <sup>234</sup> GlobalWebIndex, Report into VPN usage, 2015.
- <sup>235</sup> The BBC's assessment is based on analysis of its server data and geolocation services – this can differentiate between IP addresses that are using "hosting data centres", which may include VPNs and proxy servers, and those that are not. The BBC is confident that at least 95 per cent of viewing of TV programmes on BBC iPlayer is from within the UK, with the other 5 per cent of usage including that from hosting data centres. Some of the VPN usage will also be from within the UK. 5 per cent of traffic equates to 5 per cent of unique browsers, which would imply under 1m users (Source: comScore, Digital Analytix).





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