

## **National Assembly for Wales Communities, Equality and Local Government Committee Inquiry into the BBC Charter Review**

### **BBC Trust Evidence**

1. The role of the BBC Trust is to get the best out of the BBC for licence fee payers across the UK, including Wales. We set the strategic direction of the BBC. We hold the Executive to account for its performance of its functions. We are supported by the Audience Councils in each of the four nations of the UK which bring the diverse perspectives of licence fee payers from across the UK to bear on our work. While all Trustees act in the interests of licence fee payers, there are four Trustees representing each of the four nations who have a specific role in doing this. Our evidence to the Committee should be read alongside the submission by the BBC management, which covers the operational and performance aspects of the BBC.

### **Broadcasting in Wales**

2. Expectations of the BBC have been high from the outset when it went on air in Wales for the first time on 13 February 1923 and when engaging with the audience at events across Wales the BBC Audience Council Wales certainly perceives a strong feeling of warmth towards the BBC. It also perceives a sense amongst people of ownership of the BBC and high expectations of its role in the public life of the country. High expectations often met by bold ventures such as the launching of Radio Cymru and Radio Wales to great acclaim in 1978.
3. The BBC plays a key role in many areas of the artistic life in Wales also, not least the contribution that the BBC National Orchestra of Wales makes to music. It is the only full scale symphony orchestra based in Wales and is a major employer of world class musicians and commissioner of music. Its outreach work is highly appreciated and contribution to festivals across Wales, in cooperation with the Arts Council Wales, is notable.
4. The welcome, and relief, that was shown recently when it was announced that the BBC had kept the television rights to the Six Nations rugby tournament, albeit joint with ITV, was an illustration of the fact that many find it difficult to imagine a Wales without the BBC.
5. Audiences in Wales have very high consumption and appreciation of BBC services:
  - BBC TV has weekly reach of 85% in 2015, still 3 points above the level for the whole UK
  - Average time spent viewing and BBC audience share is also higher in Wales than in any other UK nation.
  - BBC Radio also has higher weekly reach, time spent and audience share in Wales than in any other nation.

- BBC Wales' TV opt-out programmes in English have a 15 minute weekly reach of 32% and the non-news opt outs having a reach of 22%.
6. The BBC's economic impact in Wales is also significant. For example, £154m is spent on content by the BBC in Wales, either produced BBC Wales or by independent producers, 60% on BBC Wales' dedicated services for Wales and 40% on network TV content. In 2014-15, BBC Wales' direct spend with external suppliers and producers totalled approximately £50m on independent productions, artists, facilities etc. When Deloitte last measured the economic impact of the BBC's activities in the UK in 2013 the estimated Gross Value Added (GVA) of its activities in Wales was £276 million. This means that for every pound spent by the BBC in Wales its effect is nearly doubled.
  7. A staff of approximately 1,300 often highly skilled people, a hundred of those based in north Wales, and others in west Wales, ensures that BBC Wales has an enormous impact on the economy of Wales.
  8. It is not only BBC Wales expenditure which makes that economic impact. The dispersal of functions from London has seen the BBC Finance Centre move to Cardiff where almost 100 members of staff are based.
  9. The BBC decision to base the 2004 revival of Doctor Who in Wales, and the BBC Trust's targets for production in the devolved nations, has in effect created a new industry in Wales. According to recent Welsh government figures the number of people working in the nation's creative industries increased by 52% between 2005 and 2014 to 47,700. Turnover across the sector was up 17.5% in the same period. The value of BBC network productions made by BBC Wales in 2014-15 represented a £59.1m investment in the Welsh creative industries.
  10. We also expect the relocation of BBC Cymru Wales Broadcasting House to the centre of Cardiff in Central Square to have a very significant economic impact. Working with Cardiff City Council and other partners, and as the anchor tenant, the BBC will be a catalyst bringing in others promoting the regeneration of this area of the capital. Also, partnership with S4C to share playout facilities at the location will offer savings to both broadcasters.
  11. The Trust is clear that, under any new Charter, the BBC should continue to commission content from a wide range of producers across the UK. Our Content Supply Review found that the BBC's Network Television Supply Strategy and the Trust's targets pursuant to this (50% of network TV production spend from outside London by 2016 and, within this, at least 17% of its network production spend from Scotland, Wales and Northern Ireland) have been effective interventions, having contributed to an increase in the plurality of supply as well as to the growth of production skills outside London.
  12. The story in Wales is a spectacular success and in 2014, TV production spend in Wales amounted to 6.5% of the BBC's total. However, we concluded that Network supply outside London needs active intervention by the BBC which goes beyond the requirements of meeting quotas and towards the achievement of sustainable outcomes in the devolved nations and English regions. To deliver this, the BBC's production centres across the UK will need to work together with the independent sector based in different parts of the UK to develop creative, sustainable, local ecologies.

## The future provision of the BBC's services in Wales, in both the English and Welsh languages

13. The Trust is clear that that the BBC Wales' services in both the Welsh and English languages are a vital part of how the BBC serves its audiences in Wales and every opportunity should be sought to strengthen them.
14. The BBC's Welsh language services are in many ways unique, and that is not only in the case of Radio Cymru which is the only Welsh language national radio service. The Welsh language content available to learners on Bitesize is not available anywhere else and so we welcome the Executive's commitment in its response to the Green paper to enhance that provision:
 

*"Our plan is to develop curriculum resources for each Nation, ensuring that our offer for students in Scotland, Wales and Northern Ireland is as comprehensive as it is in England. In Wales, we will also provide Welsh language content. In this area we recognise that we have to develop our material with appropriate regard for our impact on commercial providers, and we will. We also believe that as a UK-wide provider of services we need to ensure that our service in this area is consistent across the four Nations of the UK"*
15. We welcome the fact that the BBC's Welsh language provision continues to evolve as broadcasting changes and the availability of S4C on the iPlayer Radio Cymru on the Radio iPlayer and the provision of the news app Cymru Fyw recently are all developments which have been enthusiastically welcomed by Welsh speakers.
16. The Trust recognises that there are some concerns about how Wales is portrayed in BBC Network services and the range and volume of English language television programming being produced by BBC Wales for Welsh audiences, with less drama, comedy and entertainment being provided.
17. Ofcom's latest Communication Market Report for Wales observes - *"Wales was the only nation that saw a reduction in first-run originated output year on year, down 3% on 2012. Over the five-year period since 2008 the number of hours of first-run originated programming (from all broadcasters) for Wales fell by almost a quarter (23%) to 923 hours in 2013"*.
18. The BBC Audience Council Wales, which advises the BBC Trust on audience views in Wales, has recognised these challenges and said in its Annual Review of 2014-15:
  - The Council is regularly told by audience members about the importance they place on seeing themselves reflected in the BBC's programming and content.
  - It is concerned at the lack of the portrayal of Wales on UK-wide BBC TV with seven years having now passed since the last major portrayal of Wales in UK drama through *Gavin and Stacey* and *Torchwood*.
  - The Council considers there has been no improvement in relation to the audience priority on the importance of English language TV from Wales for Wales, and that the Delivering Quality First cuts have brought BBC Wales' non-news TV provision *closer to the cliff-edge*.

19. However, the BBC's headline performance in the Wales remains strong with key reach and appreciation measures higher than average for the rest of the UK.

### Reach (%) and appreciation (AI) of BBC TV and radio across the UK

	UK	England	Wales	Scotland	N Ireland
All BBC TV Reach	82.5	82.2	85.4	83.4	81.6
All BBC TV AI	81.2	81.3	81.4	80.0	82.4
All BBC radio reach	65.6	65.6	75.8	57.3	63.1
All BBC radio AI	80.1	80.0	82.6	79.7	78.6

All figures for calendar year 2014; sources: BARB for TV reach, RAJAR for radio reach and BBC Pulse Survey for AIs.

20. Nevertheless, the Trust's tracking of the BBC's performance in promoting its Public Purposes shows that large minorities of people across all four UK nations believe that they are not well represented in BBC drama: 40% in England, 41% in Wales, 49% in Scotland and 38% in Northern Ireland<sup>1</sup>. Despite the BBC now siting half of its Network TV production outside London and establishing production bases, such as the Roath Lock drama village in Cardiff, adequate representation of the diversity of the whole UK does not occur.

21. We welcome the commitment made by the BBC Executive in its submission to the Charter review process to portray the full diversity of life in the UK throughout our programmes and services. In the submission it says:

*"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. We now spend the same proportion on network television in each Nation as their share of the population. But we recognise that spend is not everything—we need to do more, and better, to reflect the lives and experiences of all licence fee payers. During the next Charter, we will remain committed to investing in programming across the UK and ensure that the drama and comedy we produce for BBC One and BBC Two better reflect the diversity of the UK's Nations and regions. As we said in the BBC Strategy Paper, strengthening BBC news provision in Northern Ireland, Scotland and Wales is central to our plans for improving how we serve the Nations in the next Charter. We want to consult audiences across the country on whether we currently have the right balance between UK-wide and Nations news bulletins on television."*

22. It has also said that it will strengthen its services for Wales by creating "an interactive digital service for each of the Nations of the UK. By creating curated 'channels' on our existing digital services – such as iPlayer – we will be able to deliver a unique offer, allowing the BBC to showcase existing content as well as new digital-first content from ourselves and a range of partners."

<sup>1</sup> Source: BBC Trust Purpose Remit Survey 2015

23. In News and Current Affairs the Trust has been particularly concerned that the BBC should reflect the way in which public policy and politics is becoming more distinct across the different nations of the UK as devolution continues to develop. One of its earliest interventions in the current Charter period, on the advice from its Audience Councils, was to commission an Impartiality Review of the BBC Network news reporting of devolved matters and this led to major improvements in reporting of issues which are devolved across the UK. However, as devolution continues to develop across the UK, the task for network news to capture the diverging social and domestic agendas of all four nations and their people has become more and more challenging. The BBC will need to continue to respond to this and there remains work to do, for example, the Audience Council Wales remains concerned, for example, at the implications of the paucity of Radio 2's coverage of Wales in its news output in light of its popularity in Wales.
24. We welcome the BBC Executive's commitment in its response to the Green Paper to strengthen its commitment to reflecting a devolved UK in its news and current affairs coverage. It says:

*“As the pace of devolution quickens – and as the UK changes more quickly than in recent history – we will need to adapt our services to ensure they fully reflect and report the increasingly divergent politics of the UK. The BBC, in principle, should neither lead nor lag behind constitutional change in the United Kingdom. Our priority is to ensure we arm citizens in all four Nations of the UK with the information they need to make sense of their world and help hold those in power to account.*

*“In a more devolved UK, news in some parts of the country simply does not apply in others. The politics and economics of the country is becoming more varied, the business of reporting it more complicated. The BBC has a responsibility to ensure it is informing the audience in the most effective and relevant way. We believe the time has come for us to strike a better balance between the delivery of pan-UK news and news tailored to the distinctive needs and agenda of the devolved nations of the UK.*

*“As a start, we will deliver a different BBC News homepage in each Nation. We will personalise our news services to reflect personal passions and interests in every part of the UK. But we may need to go further. We want to consult audiences across the country on whether we currently have the right balance between UK-wide and Nations news bulletins on television. Our News services today are very popular and widely used by audiences, including the much-debated Six O Clock News.*

*“But after devolution, the Scottish referendum and in a world where large aspects of public policy are devolved in the Nations, there is now a much stronger case for providing a different balance in how we serve audiences with the most relevant BBC News and current affairs.*

*We look forward to exploring the various options with our partners, stakeholders, audiences and National Governments through the process of Charter Review.”*



25. The Trust has also suggested a strengthening of the wording of one of the BBC's key Public Purposes in order to make the duty to reflect the whole of the UK in the BBC's services a more explicit requirement under the next Royal Charter suggesting that it should read as follows:

*4. To reflect, represent and serve everyone in the UK*

*The BBC should reflect the full diversity of the UK in its content. 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 different cultures and alternative viewpoints. It should ensure that it provides content to 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. The BBC should use emerging communications technologies and reflect the UK in a digital age.*

26. This would build upon the major BBC initiatives which the Trust has instigated and supported during this Charter period to improve the way in which the BBC portrays and serves Wales and the other nations and regions of the UK.
27. The BBC's commitment to fulfilling its public service broadcasting responsibilities to Welsh-speaking audiences has made it one of the most important components of life in Welsh-speaking Wales from very early on in its existence. Before the establishment of S4C Welsh language news was broadcast by the BBC but the output encompassed a broad range of genres including such comedy classics as Ryan a Ronnie and the plays of Gwenlyn Parry and well as the early years of Pobol y Cwm which, like the BBC news, transitioned to S4C so successfully.
28. BBC Radio Cymru retains its role as a key component in the life of Welsh speaking Wales and Cymru Fyw, the app allowing access to news, sport and other Welsh language materials produced by the BBC and others, has been a major step forward during the past year in the way in which the BBC improves its offer to Welsh speaking audiences.

**The BBC's current and future funding, governance and accountability arrangements as they relate to Wales**

29. As a result of decisions in 2010, with the licence fee remaining fixed and the BBC being required to meet additional costs, such as rural broadband roll-out and funding for S4C and the World Service, the BBC has had to make substantial savings across all of its operations in order to work within the funding available. The BBC is on track to deliver £1.6 billion cumulative annual savings by the end of the current charter period in 2016/17 and so far has delivered £1.25 billion towards this target. As with other areas of the BBC, BBC Wales has therefore had to make stretching, but not disproportionate, efficiency savings.
30. The funding set out by the Chancellor of the Exchequer and the Secretary of State for Culture, Media and Sport in July 2015 will require the BBC to make further, significant efficiencies and savings over the next Charter period.
31. The role of the Trust is to approve the BBC budget at a strategic level and decisions beyond that are for the Executive, therefore precise budgeting allocations and areas where efficiencies are sought are matters for the Executive. The Trust notes that the Executive says in its response to the Green Paper that

its “will protect funding for the Nations, ensuring they are cut less than others areas”. It is essential therefore that the accountability of the BBC Executive to the nations in future is sufficiently robust to hold it to account for implementing this undertaking.

32. The BBC’s governance – both its internal governance and the way it is overseen and regulated – is important because the audience needs to know that the BBC is in safe hands and that their interests are being looked after. Our research suggests that a number of aspects are important to the public. They want their money to be spent wisely. They want the BBC to be clearly independent and not being run for its own interests or those of politicians or business. They need to know that if something goes wrong, it will be handled effectively and lessons will be learned. They need to have confidence that the culture and values of the BBC mean that it will operate with integrity and in the licence fee payers’ interest.
33. We believe that greater clarity about responsibility for functions and where accountability rests for the exercise of those functions (whether management, supervisory or regulatory) is important.
34. We have suggested that one of the ways governance could be improved is by the creation of a unitary Board with a majority of independently-appointed non-Executive Directors and a non-Executive Chairman to run the organisation, determine its strategy and manage its finances. The precise details such as composition of the Board, appointments and its responsibilities, would be subject to debate beyond this first stage of consultation.
35. The BBC needs to be subject to some form of independent scrutiny and regulation. Wherever that function sits, the Trust believes it is important to satisfy public expectations that the BBC should be held to high standards. This would point to a bespoke regulatory regime (again irrespective of who the regulator actually is). It will also be necessary for any structure to ensure oversight and impartial supervision to address the concerns of competitors around market impact and fair trading.
36. We welcome the *Independent review into how the BBC is governed and regulated*<sup>2</sup> led by Sir David Clementi (‘the Clementi review’) and will be engaging fully with it to share the Trust’s experiences of the current model. The architecture arrived at must have the confidence of industry and the public, and therefore an independent review looking at all of the evidence and publishing its recommendations to government is the best way to do that. Whatever solution is devised, we believe it must address the following key principles:
  - **The BBC must be and be seen to be independent.** Due to its role in creating content and informing, educating and entertaining the UK public, it must be and also be seen to be independent from Government and politicians and commercial and vested interests, so that they are not able to influence its content or message. This principle guarantees free speech and is a fundamental pillar of the BBC’s ability to hold individuals and organisations to account and to be impartial across the full range of its broadcast and online content. This builds on principles that the Government recognised during the

---

<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/461078/20150916-Terms\\_of\\_Reference\\_for\\_independent\\_review\\_on\\_BBC\\_governance\\_and\\_regulation\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/461078/20150916-Terms_of_Reference_for_independent_review_on_BBC_governance_and_regulation_.pdf)

debates about the response to the Leveson Inquiry which are paramount for media organisations in a free and democratic society.

- **Proper scrutiny over how the BBC spends licence fee payers' money.** The BBC can't licence and regulate itself. It must be accountable to licence fee payers for the service it provides. The BBC's boundaries and trading must also be subject to independent scrutiny so the market has confidence that trading is fair and is clear about what its boundaries and remit are.
- **The public themselves must have a say** – in particular because they pay directly for the BBC through the licence fee.

37. How the future governance structure of the BBC reflects the need for engagement with and representation of the devolved nations is a key issue that needs to be resolved as part of Charter Review. There is already a debate about how the BBC's structure might be adapted. The Trust agrees that the BBC will need to be more accountable to audiences in Scotland, Wales and Northern Ireland. We think it will be very important that the Clementi review considers this closely, and we will want to play a full part in the debate. There is a separate issue about exactly how the BBC reports on its activities and offer in each nation and this is a question that will follow on from new structures of governance and accountability. Broad principles of reporting have already been agreed between the BBC, DCMS and the Government of Wales in a Memorandum of Understanding.
38. The next Charter and Framework Agreement should provide the vehicle for better codification of the relationship with the Westminster Parliament, including Select Committees and this can be extended to the Welsh Assembly. For example, the recently-agreed Memorandum of Understanding (MoU) between the BBC, UK Government, Scottish Government and Scottish Parliament provides for the BBC to lay its annual report before the Scottish Parliament and for the BBC to appear before Scottish Committees on Scottish issues "*on the same basis as it does in the UK Parliament*". The MoU entered into between DCMS, the BBC and the Government of Wales commits the parties to establishing (subject to agreement, through further MoUs) parity between the devolved administrations regarding the BBC's annual report and accounts and appearances before committees. The relevant part of the MOU reads as follows:

*Prior to the publication of the BBC's annual report and accounts for 2015/16, the signatories will work to agree a revised memorandum of understanding, to supersede this one, which would (subject to agreement) include commitments in the following areas, to establish parity across the devolved Governments in relation to annual reports and accounts and appearing before committees:*

- *A commitment from the BBC to send its annual report and accounts to the Welsh Government and a commitment from Welsh Government to lay these before the National Assembly for Wales; and*
- *A commitment from the BBC to appear before the National Assembly for Wales committees on matters relating to Wales, on the same basis as it does in the UK Parliament.*



39. Currently the Trust receives regular advice from its network of Audiences Councils and their Annual Reviews provide an additional performance assessment of the BBC in each of the nations, alongside the Trust's work.
40. In our response to the Green Paper we have said that the BBC must, as the Trust does now, have in place the mechanisms for the public to have their say when developing strategy. It must consider these views before making decisions about future direction, be that about individual services or the overall shape of the BBC.
41. The ways in which the BBC is accountable to audiences:
- Must be the ones which audiences themselves want to use.
  - Should reflect the relationship which members of the public want to have with the BBC, as relatively passive consumers or as more active stakeholders.
  - Should ensure that the widest possible range of voices is heard in order to represent fully the UK, particularly in light of devolution, and ethnic and social diversity.
  - Must reach not only those the BBC wants to hear from but also those who feel alienated or under-served by the BBC.
  - Should be flexible and evolving, finding new ways to use technology as a way of enabling accountability, though not at the expense of those who wish to engage in more traditional ways.
42. These criteria should also be used when considering any formal accountability structures.
43. There has been a formal structure of Broadcasting or Audience Councils since the late 1940s and they have played a key role during this time. However, ways of engagement have evolved particularly quickly in recent years, and the beginning of a new governance system for the BBC is an appropriate time to consider the future of any formal accountability network.
44. Again, we do not feel that the Charter should be prescriptive. It should be the responsibility of whichever body has the duty to represent licence fee payers' interests to decide how it wishes to use audience bodies around the UK and how the work which is currently done with and by Audience Councils can be developed in new ways for the digital age (although reaching all segments of Audiences, including those who do not have access to digital technology should remain an important consideration).
45. It is vital that the duty to represent licence fee payers' interests and, in particular, to do so across the UK, be embedded in the next Charter, though allowing the BBC and its regulator the freedom to use the appropriate methods. We look forward to engaging with the Government on these issues.

### **S4C's future, including its funding, operating and governance arrangements, and the services it provides**

46. Prior to S4C became mainly funded from the licence fee in 2013-14 the BBC Trust and S4C Authority agreed an Operating Agreement which included commitments to S4C's funding from the licence fee up to the end of the BBC

licence fee settlement, in addition to the programming provided by the BBC to S4C under statute.

47. This new relationship between the BBC and S4C has also, since November 2014, allowed the BBC to include all S4C's programming on the iPlayer which has led to a very significant increase in the viewing of S4C programming online.
48. The BBC is obliged by legislation to provide at least 520 hours per annum of programmes to S4C free of charge, agreed and delivered as outlined in the BBC Trust and the S4C Authority's Strategic Partnership agreement. Each year the Trust agrees an annual Programme Plan for this provision with the S4C Authority, which includes S4C's most watched output and in 2015-2016 the BBC will supply programming worth £19.4m, and this level of spend is guaranteed until the end of the current BBC licence fee period in 2017.
49. The Trust has monitored the working of this agreement, meeting on an annual basis with officials of S4C to discuss its operation and the performance of the channel, and has been pleased to learn of the way in which the partnership between S4C and the BBC has flourished and is appreciated by both the S4C Authority and management team.
50. The Trust has not yet reached any agreement, either with the BBC Executive or the S4C authority on the licence fee funding of S4C under a new Charter.
51. However, the Secretary of State for Culture, Media and Sport has suggested that S4C should be obliged to "*make the same kinds of efficiency savings that the Government are looking for the BBC to make*". We expect that S4C, as an independent corporation, and will want to discuss its own purposes and future funding in its own right with DCMS as well as the BBC over the coming months.
52. We think that it makes sense to develop a reference point regarding what a read-across, such as the Secretary of State envisages, might mean, based on the governance and funding arrangements that are currently in place. It obviously cannot be a final position as neither the Trust nor the BBC management will be able to make firm commitments until the Charter process has been completed and a full and final financial settlement is in place.

### How Wales's interests are being represented during the renewal process

53. Throughout all the Trust's work, from its inception, the Audience Council Wales has scrutinised the BBC's services on behalf of BBC audiences in Wales and shared their insights with the Trust. The Council undertakes a continuing assessment of BBC programmes and services in Wales and the extent to which the BBC's Network output and other activities reflect the diversity of the UK and its nations, regions and communities. Such work includes the identification of audience priorities for BBC (based on feedback and research in Wales) and the assessment of the BBC's performance. Based on its experience over the period of the current Charter the Council is advising the Trust on all aspects of Charter review relevant to Wales.
54. The Trust has ensured that the research it has conducted to inform its response to the Government's Green Paper has been fully representative of the UK, including Wales.

55. The recently-agreed Memorandum of Understanding (MoU) entered into between DCMS, the BBC and the Government of Wales says:

*The terms of the formal consultative role for the Welsh Government in the process of reviewing the BBC's Charter shall be as follows:*

- *The Department will consult the Welsh Government on the draft terms of reference for the Charter Review in advance of their publication.*
- *The Welsh Government will lay the final terms of reference for the Charter Review before the National Assembly for Wales.*
- *The department will consult the Welsh Government through the process of reviewing the Charter.*
- *The Welsh Government will lay the draft Charter and framework agreement before the National Assembly for Wales, and should the Assembly deem it appropriate, schedule a "take note" debate on the content of the draft Charter and framework agreement.*
- *The department will consult the Welsh Government before recommending to Her Majesty in council that the draft Charter is granted*

56. As referred to above, a corresponding MoU relating to the role of the Assembly in these matters is currently being agreed between DCMS, the BBC and the National Assembly.