

BCR 17

Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol

Communities, Equality and Local Government Committee

Ymchwiliad i'r Adolygiad o Siarter y BBC

Inquiry into the BBC Charter Review

Ymateb gan: BBC

Response from: BBC



**Submission to the National Assembly Communities,
Equality and Local Government Committee**

BBC evidence to the inquiry into the BBC Charter Review

November 2015

Introduction

We are pleased to submit this evidence paper to the National Assembly for Wales's Inquiry into the BBC Charter Review.

The BBC plays a significant part in Wales' democratic and cultural life in both languages, and this contribution is deeply valued by audiences. The services provided by the corporation reach 98% of the Welsh public each week and are actively chosen by the Welsh public about 7 million times each day. As market pressures intensify, it is clear that the BBC's role in Wales' national discourse is becoming more, not less, important.

The BBC is determined to build on this remarkable and long-standing relationship with audiences in Wales at a time of significant challenge and opportunity.

The media landscape is moving so quickly it is vital that we think afresh about the challenge of serving younger audiences and how we reflect the realities of a changing UK. It is clear that audiences also want us to work harder to reflect Welsh lives and stories on-screen and we intend to meet this creative challenge head-on. We are also determined to work more openly with partners across Wales to realise the nation's creative and cultural potential.

Section A of this paper outlines the current range of BBC programming and services in Wales, their impact with audiences and the economic benefits derived from this investment in output. Section B outlines our proposals in the nations for the next Charter period. Finally, Section C addresses a number of specific issues raised by the Committee's Terms of Reference, including the reduction in English language programming over recent years.

Section A – Overview of BBC programmes and services

I. Serving Wales

The BBC is the most trusted and valued broadcaster in Wales. Our mission in Wales is to help audiences discover and make sense of the nation, and to champion the brightest talent and boldest ideas for Welsh and UK audiences. We aim to do this on a canvas big enough to make a difference, not just to our audiences, but to Wales itself.

BBC Wales employs approximately 1,300 staff at six centres across Wales (in Cardiff, Swansea, Carmarthen, Aberystwyth, Bangor and Wrexham). Our main headquarters in Llandaff, Cardiff, is expected to move to Central Square in the city centre in 2019. The BBC's largest drama production centre in the UK is based at Roath Lock in Cardiff Bay, while the BBC National Orchestra of Wales is based at Hoddinott Hall in the Wales Millennium Centre.

BBC Wales is committed to reflecting and reporting Wales in both languages – and across all platforms and devices. The BBC provides value to audiences in Wales in two main ways: through *national* programmes and services made for audiences in Wales (e.g. BBC Radio Wales, Radio Cymru, *Wales Today* and our programme contribution for S4C), and through *network* programmes and services which are broadcast across the UK (e.g. Radio 4 and BBC Four). In recent years, Wales has become a major producer of BBC network programming for TV and radio, including *Doctor Who*, *Sherlock*, *Merlin*, *Crimewatch* and *BBC Young Musician of the Year*. This network investment in Wales totals around £59.1m each year.

The BBC performs consistently well in Wales, attracting higher audiences and appreciation for its output than the UK average. This is true both for network services and for content produced specifically for audiences in Wales. The proportion of the population reached each week by the BBC's portfolio of television and radio services is higher in Wales than elsewhere in the UK. And in addition to reaching more people, those reached also watch and listen to BBC content more than the UK overall – 75 minutes more per week, on average.

2. Overview of BBC Performance in Wales 2014/15

- The general impression of the BBC among audiences is higher in Wales than in any of the UK's other three nations.
- In 2014/15, BBC Wales' English language television programmes for audiences in Wales reached over 900,000 viewers each week (or 32% of the adult population).¹

¹ Based upon 15 minute reach

- BBC Wales' news services across radio, television and online reach 65% of adults in Wales each week.
- In 2014/15, BBC *Wales Today* news bulletins were seen by approximately 1.5m viewers in Wales each week.²
- In 2014/15, BBC Wales' mobile and online services were accessed by 3.5m browsers per week on average.
- In 2014/15, BBC Radio Wales reached 400,000 listeners each week (16% of adults) while BBC Radio Cymru attracted over 100,000 (33% of fluent Welsh speakers).
- In 2014/15, BBC programming produced for S4C reached 130,000 viewers each week on average.

3. Overview of services for Wales

The BBC provides value to audiences in Wales in two main ways: through programmes and services made in and for Wales specifically; and through the delivery of BBC services that are broadcast across the UK.

3.1 National services for audiences in Wales

The BBC broadcasts a range of services and programming to meet the distinctive needs of audiences in Wales, including BBC Radio Wales, BBC Radio Cymru, a range of interactive content and dedicated television output such as *BBC Wales Today* and *Scrum V* on BBC One Wales and BBC Two Wales.

In addition, the BBC also produces programming for S4C, funded by the licence fee. This programming includes the *Newyddion* news service and the weeknight drama *Pobol y Cwm*.

The BBC's services and programming specifically for Wales are highly valued and overall performance is strong. The BBC's television programmes specifically for audiences in Wales reach 900,000 viewers each week (32% of the population) and the average appreciation for these programmes is higher than the average across all BBC TV output in the same genre. Radio Wales reaches around 400,000 listeners each week (16% of adults) and Radio Cymru over 100,000 (33% of fluent Welsh speakers). The BBC's output for S4C reaches 130,000 viewers each week.

² Based upon 3 minute reach

Table 1: Performance of BBC services specifically for audiences in Wales (2014/15)

	Average weekly reach (%)	Quality	Average time spent per viewer/listener per week (hh:mm)
BBC TV Opts (inc news)	31.7	81.9	n/a
BBC Radio Wales	16.2	83.0	9:21
BBC Radio Cymru	4.6	78.1	10:47
BBC Cymru on S4C	4.6	n/a	n/a

3.1.1 English language television (or ‘opts’)

Each year, the BBC broadcasts approximately 600 hours of English language TV programming made for audiences in Wales on BBC One Wales and BBC Two Wales. In 2014/15, the total cost of this output was £20.8m.

BBC One Wales offers news, current affairs and general programming for Wales as an integral part of the UK-wide channel proposition. This national programming for Wales displaces network output seen elsewhere across the UK. The strategy for BBC One Wales is to provide a range of engaging, relevant and high impact programming for audiences in Wales. Since 2013, BBC One Wales has been a HD channel.

BBC Two Wales typically schedules more specialist or targeted public service programming for audiences in Wales, including arts, politics and sport, including live Guinness Pro12 domestic rugby coverage, typically broadcast on Friday evenings in peaktime. In the next Licence Fee period, BBC Two Wales will become a HD channel.

This investment across BBC One Wales and BBC Two Wales produced the following output:

Table 2: English language originated television output by genre 2014/15

Genre	Hours
Drama, Comedy, Entertainment, Music, Arts	20
News and Current Affairs	386
Sport	150
Education, Factual and Religion	60
Total	616
Total £m	£20.8m

These programmes are produced by in-house teams and the independent sector – with independent companies producing a guaranteed minimum of 35% of non-news hours each year.

The reduction in English language television programming has been the subject of considerable scrutiny over recent years. Content investment has fallen by around 30% in real terms since 2006/07 as a result of successive savings programmes over the last decade (see Section C).

Despite the challenging financial context and the savings delivered over the last seven years, audience figures for English language television programmes in recent years reached their highest in a decade across news and general programming.

Our programming seeks to reflect the diverse and modern Wales with our opts performing well across a range of measures. Appreciation indices (AIs) for BBC Wales' non-news programming – including *Rhod Gilbert's Work Experience*, *Weatherman Walking* and *Hinterland* - are ahead of the average BBC1/2 AI in Wales with their average share performance higher than the displaced network shows.

In recent years, output has been configured around major seasons of programming in order to maximise their impact – including *Real Valleys*, *Real North Wales* and *Live Longer Wales*.

The programming broadcast to mark the Dylan Thomas anniversary attracted over 800,000 viewers and brought the very best Welsh talent to the screen, including Michael Sheen, Tom Jones and Sian Phillips in a dramatisation of *Under Milk Wood*. The breadth of the season was remarkable. *Ugly Lovely Swansea: A Poet on the Estate* saw the dub-poet Benjamin Zephaniah challenge and inspire the people of the city's Townhill estate to honour their bard through poetry and performance, while *A Poet in New York*, written by Andrew Davies and starring Tom Hollander, explored the final days of Dylan.

3.1.2 BBC Radio Wales

BBC Radio Wales' remit is to provide a radio service for people interested in the life, culture and affairs of Wales. It broadcasts for approx. 20 hours per day and reaches around 400,000 listeners per week. The cost of this output in 2014/15 was £10.6 million.

At present, the BBC guarantees that a minimum of 10% of Radio Wales output³ is produced by the independent sector. Since 2012/13, a further 10% of content has been placed in the Window of Creative Competition between the independent sector and in-house production.

In 2014/15, 25.5% of the eligible hours were supplied by the independent sector.

³The 10% independent sector target for both Radio Wales and Radio Cymru excludes news programmes and news and sport bulletins

Table 3: Radio Wales Originated output breakdown 2014/15

Programming	Hours
News and Current Affairs	2,184
General programming	4.894
Total	7,078
total £m	£10.6m

The station performs an indispensable service: it sets the national news agenda through its flagship *Good Morning Wales* programme, offers an opportunity for audience interaction through its *Morning Call* programme and celebrates Wales' rich culture.

Some of the creative highlights during the last year have included a series of programmes to mark the centenary of the First World War and a unique collaboration between Mike Peters from The Alarm and the BBC National Orchestra of Wales. Sport is also at the heart of the station's remit with live coverage of the Six Nations, the Rugby World Cup and Welsh football's progress to Euro 2016.

3.1.3 BBC Radio Cymru

BBC Radio Cymru's remit is to provide a radio service for people interested in understanding the life, culture and affairs of Wales in the Welsh language. The service is on air for up to 19 hours each day. The total cost of this output in 2014/15 was £10.0m.

In common with Radio Wales, at least 10% of output is produced by the independent sector and a Window of Creative Competition offering up to 10% of the eligible hours was introduced in 2012/13.

In 2014/15, 19.2% of the eligible hours were supplied by the independent sector.

Radio Cymru has a deep and historic connection with Welsh speaking communities – and is highly valued for its mix of news, culture, entertainment and topical discussion. However, the challenge of reaching younger Welsh speakers, often with lower levels of fluency, is an issue confronting all Welsh language media services.

Radio Cymru reaches over 100,000 listeners each week, around a third of fluent Welsh speakers, among whom Radio Cymru has more hours of listening than any other radio station. In an average week, over a million hours of Radio Cymru content is heard.

In 2013, Radio Cymru undertook the largest audience consultation in its history, *Sgwrs Radio Cymru* (The Radio Cymru Conversation) in light of ongoing audience challenges. Based on over 1,000 responses, the service has adapted to the conclusions of *Y Sgwrs* by offering a far greater diversity of content.

Table 4: Radio Cymru Originated output breakdown 2014/15

Programming	Hours
News and Current Affairs	1,306
General programming	4,948
Total	6,254
Total £m	£10.0m

3.1.4 BBC Cymru Wales programming on S4C

BBC programming is at the heart of S4C's schedule. We have a statutory obligation to provide at least 10 hours a week of programming to the channel. Our contribution includes the *Newyddion 9* news programme, the weeknight drama (*Pobol y Cwm*), live domestic and international rugby, and extensive coverage of the annual National Eisteddfod. In 2014/15, the total cost of the BBC's programmes was £19.7m. This investment produced the following output:

Table 5: Originated BBC Wales hours on S4C by genre 2014/15

Genre	Hours
Drama, Comedy, Entertainment, Music, Arts	185
News and Current Affairs	271
Sport	99
Education, Factual and Religion	7
Childrens	2
Total	564
Total £m	£19.7m

The BBC's content for S4C is produced by in-house production teams, and complements the independently produced programming slate which makes up the remainder of the S4C service.

In addition, BBC Wales works closely with S4C on programming projects that can benefit both Welsh and English speaking audiences. For example, the drama series *Hinterland/Y Gwyll* is co-commissioned by the BBC and S4C. In 2014, the BBC worked closely with S4C to introduce the channel to BBC iPlayer, transforming the prominence and availability of on-demand Welsh language programming. To date, it has delivered an additional 80,000 viewing sessions per week across approximately 1,200 iPlayer enabled devices.

As well as the programming supplied by BBC Wales, S4C also receives approximately £75m per annum in direct funding from the BBC Trust (this is provided under an Operating Agreement established between the BBC Trust and S4C Authority). This new arrangement began in April 2013, following the 2010 Licence Fee agreement between the BBC and UK Government.

3.1.5 BBC's online and learning services

Our dedicated online and mobile services for Wales deliver the BBC's public purposes through a focus on online news, sport, learning and information about how to find our content, particularly on digital platforms such as iPlayer.

BBC iPlayer provides access to BBC Radio Wales, BBC Radio Cymru and television programming made in and for Wales. The cost of Wales-specific online content, in both languages, in 2014/15 was £3.9m

The BBC's learning services are a core part of our online offer to the audience in Wales. Bitesize is the foundation-stone of this learning portfolio with a very high reach amongst its target audience but particularly so amongst those preparing for GCSE exams. In the next Charter period, we are committed to develop a fully tailored Bitesize service for Wales which meets the requirements of a devolved curriculum in both languages.

3.2 Pan-UK BBC services

The BBC's UK-wide network services (like BBC One, Radio 4, CBBC or BBC Three) provide significant value to audiences in Wales and contribute the majority of their consumption of the BBC. Network services like BBC One do not just deliver value to audiences, they also provide direct economic investment as a steadily rising proportion of programmes for the BBC's UK-wide services are made in Wales.

The BBC performs consistently well in Wales, attracting higher audiences and appreciation than the UK average. This is true both for network content and for content produced specifically for audiences in Wales.

The proportion of the population reached each week by the BBC's television and radio services is higher in Wales compared with the UK on average. This is especially true for BBC radio, where reach is consistently much higher in Wales compared with the UK average. In addition to reaching more people, those reached also watch and listen to BBC content more than the UK overall – 75 minutes more per week on average. The general appreciation of the BBC is also higher in Wales than in any of the UK's other three nations, with programme appreciation being a little higher in Wales for BBC TV and BBC radio.

Table 6: Pan-BBC performance in Wales, 2014/15

	Average weekly reach (%)		Quality		Average time spent per viewer/listener per week (hh:mm)	
	UK	Wales	UK	Wales	UK	Wales
All BBC	97	98	6.97	7.08 (GI)	18:10	19:25
All BBC TV	82	85	81.1	81.6 (AI)	10:15	12:00
All BBC Radio	65	76	80.3	82.8 (AI)	15:40	16:25

4. BBC network production in Wales

Over the last decade, the BBC has sought to decentralise its network production activity to help grow the creative economy outside London and spread the benefits of Licence Fee expenditure.

We set out two clear targets: that 50% of network TV expenditure should be invested outside London, and that 17% should be spent in the devolved nations (broadly in line with their combined population size). We have already met both targets earlier than forecast. In many senses, Wales has led the way - securing 7.8% of network television spend in 2014/15 (£59.1m), compared to a 4.9% population share.

Over recent years, BBC Wales has developed an international reputation in drama production, now focused at Roath Lock studios in Cardiff Bay where *Casualty*, *Doctor Who* and *Pobol y Cwm* are all produced. The 175,000 square foot complex has nine HD studios and operates at full capacity. The *Doctor Who Experience* exhibition, run by BBC Worldwide, is a stone's throw away from the studios.

As a direct result of the increased investment by the BBC in drama production in Wales, a critical mass of craft talent has been established with a broad range of skills and experience. As the drama production economy is largely based on freelance expertise, this has meant that independent companies – as well as BBC Wales in-house teams – can develop some of the most ambitious and high profile projects in British television safe in the knowledge that the skills are available to produce them in Wales.

Ten years since the launch of *Doctor Who*, Wales now has four drama studio complexes - at Pinewood (Wentloog), Dragon Studios (near Bridgend), Bay Studios (Swansea) as well as Roath Lock. As output continues to grow, the BBC in Wales is working closely with organisations such as Cyfle and Creative Skillset Cymru to develop skills in key areas of programme making.

As well as drama, BBC Wales is also a significant base for network factual and music production. High profile programmes include *Crimewatch*, *Bargain Hunt*, *Call Centre*, *BBC Cardiff Singer of the World*, *Young Musician* and a wide-ranging contribution to the *One Show*. The growth of in-house network production has also been complemented by a significant increase in independently-produced network productions from Wales, such as *Sherlock*, *Atlantis*, *A Poet in New York*, *Hinterland/Y Gwyll* and *Only Connect*.

These developments have helped fuel the development of Wales' creative economy – contributing to a 52% increase in the number of people working in the creative industries between 2005 and 2014 to 47,700. Turnover across the sector has increased by 17.5% in the same period.

In September 2015, the BBC published plans to transform the majority of its in-house production teams – including those in Wales - into BBC Studios, a wholly-owned subsidiary of the BBC Group.

BBC Studios would operate in the market, producing programmes for the BBC and other broadcasters in the UK and internationally, and returning all profits to the BBC Group. It would be committed to supporting the BBC's public service mission and values, and would keep programme-making at the heart of the BBC.

As part of these plans, the BBC is also proposing to remove its overall in-house guarantee of 50%, meaning that external producers would be able to compete for a much greater proportion of BBC network commissioning spend. The BBC believes this proposal is the best way to keep delivering fantastic creative programmes for audiences and long-term value for licence fee payers.

It is proposed that all network production teams within BBC Wales would become part of BBC Studios, and we are consulting with stakeholders before deciding whether local TV production teams in Wales should also be included. You can read more on these plans here:

http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/bbc_studios_2015.pdf

5. The economic impact of the BBC

'A BBC of scale and scope with a stable funding mechanism that does not compete with commercial sources (i.e. advertising and subscription) lies at the heart of a successful UK creative economy.'

'The BBC remains the cornerstone of the PSB system and is the key driver of investment across the system.'

Public Service Broadcasting in the Internet Age: Ofcom's Third Review of Public Service Broadcasting: July 2015, p.3

5.1 Economic impact across UK

The BBC invested around £2.2 billion directly in the creative industries in 2013/14. This included c.£1.2 billion outside the BBC, with around £450 million invested in small and micro-sized creative businesses. The BBC supported over 2,500 creative suppliers, around 86% of which were small or micro-sized.

A further £1.5bn was invested outside of the creative industries in the UK; much of this spend was in the digital and high-tech industries on activities which support content creation and content distribution.

The BBC promotes Britain's Intellectual Property and image around the world: 56% of overseas businesses agree they are more likely to do business with the UK because of what they know about the BBC.⁴

The BBC is able to provide the risk capital for British ideas and creativity: it receives around 22% of broadcast TV revenues but is responsible for around 42% of investment in original content.

However the competitive challenges for the BBC are intensifying, with the growth of huge digital players whose income dwarfs the BBC's: BBC revenue for 2013 was £5.1bn, compared to Sky's £7.2bn, Google's \$59.8bn, Microsoft's \$77.9bn and Apple's \$170.9bn.

An August 2015 report by PricewaterhouseCoopers looked at the impact which changes to the BBC licence fee revenue would have on the organisation, on the industry and on the creative economy. The report noted that for every £1 increase in licence fee income, an additional 60 pence of economic value would be generated.⁵

Conversely, a recent Enders Analysis report indicated that for every £1 cut in BBC TV funding, total content investment would go down by at least 35p and first-run UK content investment by at least 49p.⁶

5.2 Economic impact in Wales

The estimated Licence Fee revenue raised in Wales is £186m⁷ of which £154m is spent on the delivery of content produced by either BBC Wales or by independent production partners.

⁴http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_report_economic_return_global_footprint_2013.pdf

⁵ <http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/bbclfpwc2015.pdf>

⁶ Enders Analysis: BBC TV - Impact on investment in UK content: September 2015

⁷ Source: Income estimates, TVL. Estimates are based on the assumption of full licence fee payment.

60% of BBC Wales' spend is targeted at dedicated services for Wales with the remaining 40% spent on network TV content for UK audiences.

Every two years, the BBC measures the economic impact of its activities in the UK. In 2013 - the last time such an assessment was undertaken - the BBC and Deloitte estimated that the Gross Value Added (GVA) of the BBC's activities in Wales was £276 million. This means that for every pound spent by the BBC in Wales its effect is nearly doubled.⁸

The economic benefits of BBC Wales continue to stretch far and wide, delivering real value to digital and creative businesses across the UK.

BBC investment in creative activity in Wales is injected into the local economy via local companies and freelancers working closely with the BBC. This helps to sustain jobs in these companies. Meanwhile these companies themselves (and their employees) buy further goods and services, creating a positive 'multiplier' effect of economic benefits for the economy.

In 2014-15, BBC Wales' direct spend with external suppliers and producers totalled approximately £50m:

Table 7: External Spend by BBC Wales, 2014/15

2014-15 external spend	Value (£m)
Indies	16.4
Artist Contributors and Copyright	17.7
External Programme Facilities	13.6
Performing Groups	0.8
Total	48.5

⁸http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_economic_impact_2013.pdf

Section B - The BBC's Charter proposals for the devolved nations

In September 2015, the BBC Executive published a wide-ranging set of proposals for the next Charter, including plans to enhance current programming and services for the devolved nations as part of its *British Bold Creative* plan. There are five major areas of focus in the nations.

I. Strengthening BBC News in the nations

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 all 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 to 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 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 the 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 on TV. We look forward to exploring the various options with our partners, stakeholders and audiences through the process of Charter Review.

2. Reflecting the diversity of the nations on network services

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 we will evolve our programmes and services to meet these changing audience demands.

During this Charter, we ensured that what we spend on network television in each Nation broadly matches its 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 period, 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.

3. Strengthening provision in the nations

While we know that audiences across the UK love and admire the BBC's drama, comedy and documentaries, they also tell us clearly they think we need to do more to capture the distinctive stories of Wales.

So we are setting ourselves a clear creative challenge: to adapt the BBC to a changing UK. In the coming years we want to tell new and different stories. We want to find new storytellers in every part of the UK – people who live and breathe the changing landscape. And we want to tell these stories in new ways and in new places – because technology and markets are changing.

We propose to create 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 greater range of partners.

But significant new investment in a broader range of programming, such as drama, comedy and entertainment, cannot be delivered within the current Budget agreement with the Government.

4. Welsh language services

The BBC is fully committed to broadcasting and providing services in the Welsh language. The programmes and services we currently provide – through our own services and in conjunction with our partners – are a vital part of the BBC’s role. We will continue to support and work closely with S4C.

In response to the growing audience challenges faced by these services, we want to work closely with S4C to move faster online to reach younger, digital audiences with content that is relevant to their lives. We will use – and share – myBBC technologies to enable more personalised services that can better reflect differing passions and levels of fluency.

5. Curriculum support across the UK

The BBC has a key role in supporting more formal education – with learner guides and curriculum resources, which are extremely popular and highly used. We bring these together under our Bitesize banner.

Across the UK the school curriculum is devolved, and is increasingly different. Our plan is to develop curriculum resources for each nation, building on our current offer and ensuring that our offer for students in Wales, Scotland and Northern Ireland is as comprehensive as it is in England. In Wales, we will also provide Welsh language content.

Section C - BBC response to Committee Terms of Reference

I. The BBC's current and future funding

The BBC's current *Delivering Quality First* savings programme was designed to absorb the impact of a five-year freeze in the licence fee from April 2010 as well as the cost of absorbing new responsibilities. These new responsibilities included majority funding of S4C, the BBC World Service, broadband roll-out and BBC Monitoring. In total, DQF is required to deliver £700 million of annual savings before the end of 2016-17.

The BBC is delivering these savings by:

- making productivity savings, for example by simplifying processes, reducing staff numbers and introducing new ways of working;
- reducing the scope of its activities, for example by reducing the number of new programmes commissioned or acquired, and providing fewer 'red button' television services; and
- increasing commercial income by increasing the number of programmes being produced that have a high commercial value.

As noted by the National Audit Office in its assessment of the DQF process, the BBC is clearly already doing significantly more for less. We have delivered £1.1 billion per year of savings since 2007 through preceding efficiency programmes and are on track to deliver £1.5 billion per year by the end of this Charter period.⁹ We believe, therefore, that Licence Fee payers can be confident they are getting good value from an organisation committed to delivering the best and to delivering value for money.

In the five years to 2016/17, BBC Wales will deliver savings of approximately 15% to support the *Delivering Quality First* efficiency programme. Over the full Charter period to 2016/17, BBC Wales will have delivered savings totalling £20m per annum (a cumulative total of around £100m).

In order to minimise the audience impact of these cuts, savings have been focused on managerial roles and the costs of operating supporting areas. By 2016/17, BBC Wales will have reduced its management costs by £3.3m per annum, and achieved a 25-30% reduction in the costs of support areas (e.g. technology, marketing, finance and HR).

However, savings have also been sought in editorial areas, and the impact of these can be seen below.

⁹http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/review_report_research/reducing_costs/reducing_costs.pdf p.9

Table 8: BBC Wales Output Spend 2006/07 and 2014/15¹⁰

	2006/07	2014/15
	£m	£m
BBC Wales TV	24.6	20.8
BBC Wales for S4C	20.6	19.7
BBC Radio Wales	10.5	10.6
BBC Radio Cymru	9.6	10.0
BBC Online	4.1	3.9
Total services for Wales	69.4	65.0
Network Commissions	55.0	59.1
Total	124.4	124.1

2. The implications of a reduction in English language programming output

The reduction in English language television programming (i.e. opt out programming specifically for Wales on BBC One and Two Wales) has been the subject of considerable scrutiny over recent years and reflects the financial context set out above. Content investment has fallen by around 30% in real terms since 2006/07 as a result of successive savings programmes over the last decade.

Table 9: BBC Wales Output Spend, English Language TV¹¹

	2006-7	2007-8	2008-9	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Cost (£m)	24.6	24.4	23.6	24.0	24.3	22.0	20.2	20.5	20.8

Although broadcast hours have fallen by 20% over the same period, the potential audience impact has been partly mitigated through a number of successful interventions by BBC Wales:

¹⁰ Annual Review figures

¹¹ Annual Review figures

- increased scheduling on BBC One Wales, delivering higher audiences than BBC Two Wales
- increased co-production maximising on-screen spend (e.g. *Hinterland* with S4C, All3Media and Tinopolis) and *A Poet in New York* (co-commissioned with BBC Two)
- major landmark seasons of output delivering greater impact with audiences (e.g. the health season *Live Longer Wales* and the Dylan Thomas centenary).

In 2014/15, BBC Wales produced just over 600 hours of original local programming in English. News and sport programming represented approximately 80% of this output.

Table 10: Genre analysis of BBC Wales English Language Television output, 2014/15

GENRE	BBC 1 Wales hours	BBC 2 Wales Hours	Total English Language Hours
News	308.2	0.5	308.7
Current Affairs	9.0	0.5	9.5
Arts & Music	5.9	7.0	12.9
Comedy	1.5	0.0	1.5
Drama	2.1	0.0	2.1
Education	0.0	0.0	0.0
Entertainment	0.0	0.5	0.5
Factual	51.8	8.5	60.3
Politics	27.5	40.2	67.7
Sport	4.5	145.5	150.0
TOTAL	410.5	202.7	613.2
ORIGINATIONS			

3. Current broadcasting governance and accountability arrangements in Wales.

Governance arrangements are reserved for the BBC Trust so we will confine our observations to a few brief comments on the direct impact of those operational arrangements on the BBC Executive, particularly with regard the Audience Council Wales (ACW) which advises the BBC Trust.

The Audience Council Wales (ACW) was created in 2007 in line with the provisions of the current BBC Charter and replaced its predecessor body, the Broadcasting Council of Wales (BCW).

The current Charter framework saw powers of a more advisory nature compared to those exercised by BCW being conferred on ACW. The Council's current role is to

'scrutinise the BBC's performance on behalf of audiences living in Wales, and to advise the Trust on issues relating to BBC audiences and services at a Wales level'.

The Council also 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.

In March each year, BBC Wales management provides the Council with an Annual Performance Review of its output, local and network including BBC content for S4C.

The other main interaction between the BBC Trust and BBC Wales focuses on the Service Licences granted to BBC Radio Cymru and Radio Wales.

The BBC Service Licences issued by the Trust state what those services are expected to deliver and how much they can spend. They set the BBC's editorial guidelines and protect the BBC's independence. The Trust monitors performance to ensure that the BBC provides value for money while staying true to its public purposes. A BBC Trust Service Review of both Radio Cymru and Radio Wales is in progress.

Looking ahead, it is clear that the current structures do not carry sufficient confidence with a lack of clarity around BBC Trust and BBC Executive functions. As part of its Charter Review response to the Department of Culture, Media and Sport, the BBC has made it clear that the key aims of successful governance and regulation should be to¹²:

- protect the BBC's independence;
- uphold the interests of licence fee payers;
- enable the BBC to remain distinctive and relevant in a fast-moving world;
- take market impact considerations properly into account;
- ensure the BBC operates in the public interest with effective routes for redress when it does not;
- ensure a clear separation between corporate governance and regulation.

The BBC is therefore supportive of a move towards the creation of a new unitary Board, fully independent of Government. The corollary of a unitary BBC Board with its own non-executive Chairman is the move to external regulation of the BBC.

We are, of course, clear that any BBC governance model should be responsive to the diversity of the UK and that the new unitary BBC Board must be able to take decisions in the best interests of licence fee payers across the UK.

Detailed proposals for the governance of the BBC, including BBC Wales, will be submitted by the BBC Executive to the forthcoming review of BBC governance, led by Sir David Clementi for DCMS.

¹² http://explore.gateway.bbc.co.uk/GatewayCMS01Live/pdf/BBC_Charter_Response_08102015.pdf, p.88

Looking ahead, we expect the BBC's budget to be 'cash flat' between 2017/18 and 2021/22 (effectively a real terms reduction of 10% depending on inflation forecasts). To support this challenging outlook, we are proposing a radical programme of reform including:

- increasing competition from two thirds to 80% of the BBC's cost base - one of the best in the public sector;
- planning to save almost 20% over the next five years, having already saved forty per cent of our cost base in this Charter period – with greater levels of efficiency savings than public sector/government;
- getting our overheads to less than 7%, inside the top 25% of private regulated companies, having already got to less than eight % this year;
- growing our overall commercial return in the next five years to a cumulative £1.2billion, up 15%, with Worldwide maintained as an integral part of the BBC.

It is too early to forecast how the BBC's financial outlook will impact on BBC Wales' expenditure.

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

This Charter process recognises the development of Wales as a devolved nation, its interests and culture. For the first time since 1927, there are a number of structured opportunities for Wales's voice to be heard, along with the other nations.

The key development has been the Memorandum of Understanding (MOU) agreed between the BBC, Welsh Government and DCMS. This MOU provides clarity to all three parties on how they will be consulted during the Charter process.

The separate inquiries being led by this Committee, the Parliamentary Welsh Affairs Committee and the House of Lords Communications Committee are all positive developments to be welcomed.

In addition, the BBC's plans laid out in the *British, Bold, Creative* document, contain two important commitments. These are:

- A commitment to consult with national governments and key stakeholders over the provision of BBC news services.
- A commitment to consult with national governments and key stakeholders over the funding of the nations' services.

The BBC Trust's consultation on *British, Bold, Creative* ended on 5 November.