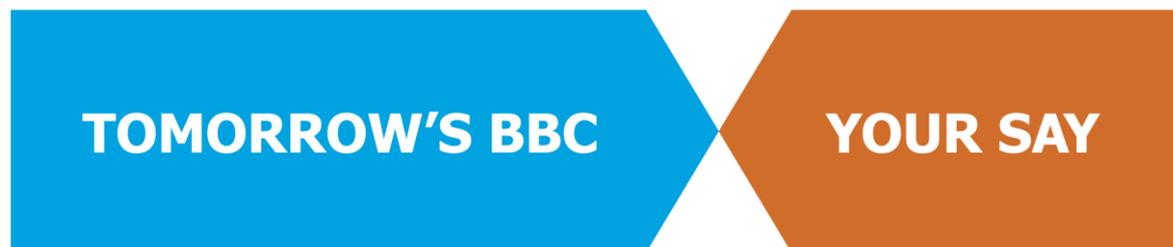


# BBC Trust

## **Initial response to the Government's Green Paper on BBC Charter Review**



July 2015

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## Summary

This document sets out the BBC Trust's initial response to the Government's Green Paper and the work we now intend to do to supply more evidence, in particular about public attitudes towards the BBC, to assist with the process of Charter Review. Once we have that evidence, we will respond in full to each of the questions the Government have posed.

### Mission, purposes and values

The Green Paper recognises that *'the BBC remains much loved by audiences, a valuable engine of growth and an international benchmark for television, radio and online'*.

The audience research and consultation work we have conducted in the past eight years makes it very clear there is still widespread public support for:

- A BBC that informs, educates and entertains – with 85 per cent supporting that mission<sup>1</sup>
- A BBC that provides a wide range of different types of content and programmes, for a wide range of different audience groups
- A BBC that retains its independence from Government.

The BBC is neither owned by the Government, nor by its management. It belongs to the public, who pay for it directly through the licence fee. Because almost every home in the United Kingdom pays for the BBC it has always been:

- Universal – the BBC attempts, and largely succeeds, in providing something for everyone, from the specialised to the popular, from the entertaining to the challenging. It also makes its content available free at the point of use, on as wide a range of platforms as possible
- Independent – the BBC is neither a state broadcaster nor one driven by commercial interests. It makes its own editorial and creative decisions. It needs to stimulate, question and investigate if it is to entertain, educate and inform.

The BBC should continue to be constituted and funded in a way that fulfils these two central principles.

It should be given a set of public purposes and values that set a broad mission and capture the public's high expectations of it.

### Governance and regulation

The BBC also needs to continue to change and to reform itself. If it is to retain a broad mission and significant public funding, it should have clear boundaries and independent regulation. The public expects the BBC to operate to higher standards than others – of impartiality, of quality, of efficiency – and those standards need to be set and effectively enforced.

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<sup>1</sup> ICM research for the BBC Trust [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience\\_research.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience_research.pdf)

The current governance and regulatory system, which established the Trust, has made the BBC more accountable and more responsive, both to the public and competitors. Service licences, public value tests and independent regulation of editorial standards have been significant steps forward.

But this system of governance and regulation has, at times, led to confusion about who is responsible for what, in particular around strategy and financial management. So we are putting forward a number of proposals for how it could be further improved, based on our experience since 2007:

- To separate completely the functions of the BBC's regulator from those of its Board, by placing them with a separate body
- To give the BBC a clearer, simpler set of public purposes and values and to give its regulator an obligation to measure the BBC's performance more directly against those purposes and values
- To improve the tools already available to the regulator, such as service licences and public value tests, so that they can be applied with greater flexibility and precision in future, and provide greater transparency for commercial operators.

Just as there need to be boundaries around the BBC, however, there ought also to be boundaries around the Government's involvement in the BBC. Specific decisions about the BBC's services or content should not be for Government. These should be taken by the BBC, in accordance with the parameters set out by its regulator. The independence of the regulator, as well as the BBC itself, should be carefully protected.

While we think a Royal Charter will probably continue to provide the best safeguard of the BBC's independence, we also suggest that it is worth considering additional protections. For example, there is a case for an eleven year Charter to provide more time between fixed date General Elections and the end of the next Charter. It may also be preferable to provide for a more formal Parliamentary process for future Charter Reviews.

## Funding

The experience of the recent Budget settlement, where major funding decisions were again made behind closed doors without any public debate, was regrettable. It has served to give an impression that the BBC is another part of Whitehall - which it is not.

Some of the questions and options raised by the Green Paper appear to raise the prospect of increased Government involvement in the BBC's internal funding allocations. We think the BBC needs to be more independent, not less, in its financial management:

- We propose clearer protections in any new Charter against any Government decision to withhold licence fee funding from the BBC, or the ring-fencing or 'top-slicing' of funding for a particular Government purpose
- We suggest including a legal obligation in the next Charter for Government to consult publicly with the BBC's regulator as part of any funding negotiations, and to seek Parliamentary approval for any change to the BBC's funding
- We suggest that both the BBC and the Government should be wary about entering any future arrangement for funding any part of the BBC by Government grant.

We continue to support a universal form of public funding for the BBC. We are concerned, therefore, that the Green Paper questions the principle of universality and raises the prospect, in the long term, of a move to a subscription-funded model that would no longer conform to that principle. We do not support the idea of subscription funding for the BBC's public services.

## Scale and scope

The Trust has grounded all its regulatory work since 2007 on research and consultation – providing a clear understanding of what audiences think.

Before any decisions are made about the future scale and scope of the BBC's services, it is vital that the public are given the opportunity to have their say. We are now starting a consultative process with the public and throughout the summer and autumn we will continue to ensure that licence fee payers can give their views.

Alongside this large-scale public consultation, we will carry out an extensive programme of audience research including deliberative work allowing licence fee payers to consider a range of options for what the BBC should look like in the next Charter. We will test the public view of the BBC's role in relation to other broadcasters and media providers. We will also test some specific ideas put forward by the Government, including public attitudes towards the different alternative funding models. And we will conduct a series of public events and seminars, some of which will be in partnership with external organisations, to discuss particular topics. We will investigate arguments that the BBC crowds out commercial competitors, through economic analysis of some particular genres, which might include, for example, entertainment, TV drama or online news.

All of this work will underpin the Trust's response to the Government's ideas, and will provide a more fully-rounded picture of the audiences' expectations of the BBC in the future.

# 1: Context

## Role of the BBC Trust

The BBC Trust was set up in 2007 and is the guardian of the licence fee and the public interest in the BBC. The Trust regulates the BBC and licenses its services and exercises a general oversight of the work of the BBC Executive. The Trust has a particular duty to represent the interests of licence fee payers.

## Role of the BBC Executive

The BBC Executive Board has the responsibility of delivering the BBC's services and leading the editorial and creative direction of the organisation, within the framework set by the Trust.

## Role of the Government

The Government sets the BBC's Charter – the framework under which the BBC operates, setting out its purpose and responsibilities – and the level of funding it receives through the licence fee.

## The Charter Review process

Our aim throughout the Charter Review process will be to uphold what we see as the public interest in the BBC. We will work to ensure the debate about its future is based on facts and evidence, rooted in the views of those who pay for the BBC. Over eight years we have amassed extensive evidence about the performance of the BBC and audience opinions of it, which we will use to inform the debate. We will want to test and scrutinise the proposals of the BBC Executive before they are submitted to the Government. And above all we will aim to give the public – who pay for the BBC – a central voice in the process of Charter Review.

The financial context and framework for the Charter Review has been set by the decisions and commitments that were announced as part of the 2015 Budget.

The Trust has made clear its disappointment with that process and with the fact that significant changes were made to the BBC's funding position without any public process. However, we accept that these changes provide the BBC with a degree of financial predictability and security, and that the BBC will be sustainable in something like its current form if the licence fee rises in line with CPI over the next Charter period. On that basis, we agree with the Chancellor's statement that he has given the BBC a sustainable income for the long term.

Nonetheless, there are tough decisions ahead. The BBC will need to achieve more through efficiencies and find ways to exploit other sources of revenue better. The Executive are also clear that the necessary savings will not be achieved through productive efficiencies alone and there will be some impact on the BBC's services.

The Green Paper, published last week, has put forward a number of big questions about the BBC's future, covering its mission, scope, funding and regulation. The public need to have a say - both about the changes the BBC needs to make to adjust to its new funding position and the questions the Government has raised.

## Public consultation

Our work to engage and involve people across the UK will start now. Alongside this document, we are publishing a short list of questions asking people what they think about the BBC. We will use these questions as the starting point for our most comprehensive programme of research and consultation, and we will use the reach of the BBC's services, as well as social media, to publicise it.

The BBC management will work between now and the autumn, and has said it will set out its own proposals for the future in September. We will test the Executive's ideas with the public to see where they want their money invested. We also expect the Executive to assess both the scope for further efficiency savings and how the BBC would propose to live within the financial framework provided by Budget decisions.

## About this document

This document sets out the Trust's initial ideas and proposals under the Government's four headings:

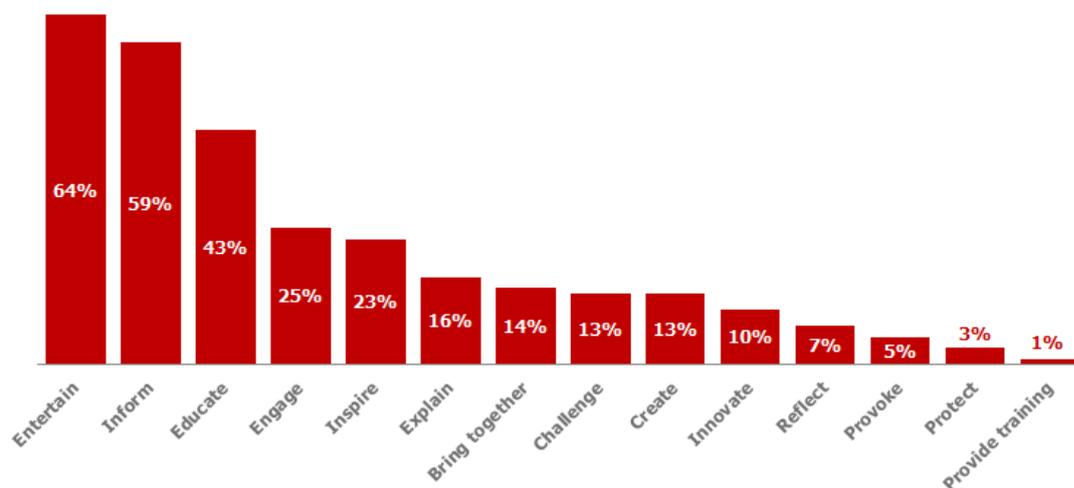
- Mission, purposes and values
- Scale and scope
- BBC funding
- Governing the BBC.

In each section, we also identify some additional research and analysis that we will begin now and publish as part of the Trust's subsequent response to the Green Paper.

## 2: Mission, purposes and values

The BBC's mission to 'inform, educate, entertain' is well-understood and well-supported by the public and should continue. Those three words capture the essence of the BBC, which has always blended distinctive public services with a broad popular appeal. Its future success will depend on getting that blend right.

**Figure 1: Audience views on what the BBC's mission should be**



Q. I would like you to think generally about the BBC and what you think its mission should be. Here are some words that other people have used to describe what they feel the BBC should do. Please drop and drag up to three words that you think most apply? *Randomise.*

Base: All respondents (n=2,111)

Source: ICM research for the BBC Trust

The character of the BBC is also tied to its public funding and its obligation to provide a universal service, free to everyone at the point of use. By pooling everyone's resources through the licence fee, the BBC is able to provide a better value public service adding real benefit to UK society while fulfilling audience expectations. Each week, every household pays £2.80 and every adult, on average, uses 18.3 hours' worth of content.<sup>2</sup>

### What we know about the value of the BBC

The Government rightly highlights that the BBC now makes more content and provides more services than it did twenty years ago. Like commercial media providers, the BBC has taken the opportunities that have arisen from changing technology to pursue its mission by providing greater range and choice. With the cost of the licence fee being lower in real terms now than twenty years ago, the BBC's provision for licence fee payers of a range of new digital services, as well as funding a significant number of additional obligations such as digital switchover and the BBC World Service, has been achieved on less public funding.

<sup>2</sup> Source: BBC Annual Report and Accounts 2014-15

**Figure 2: The BBC's provision now and twenty years ago**



Source: BBC management

Between 2007-08 and 2016-17, the current Charter period, the licence fee will have fallen by around 12 per cent in real terms. Over this time, the BBC has not launched many new 'traditional' services. It has instead focused on online, helping drive digital UK with the launch of the iPlayer and mobile apps. It has also spread substantial parts of its business across the UK's nations and regions so that more than half of network television spend is made outside London, and more than half of BBC staff are employed outside London.

At the same time, pressures on costs and from competitors are also increasing. Today's BBC finds itself in competition - for ideas, for performers, for rights - not only with UK broadcasters and producers but also with global technology and communications companies.

These changes mean audiences have access to ever more content - and they demand both high-quality programming and the choice to consume it how, where and when they want to. As content and audience behaviour becomes more fragmented, the importance of those events or moments which are shared experiences (such as big national or sporting events, general elections, 'must see' drama) actually increases.

## The BBC's performance

Since 2007 we have undertaken and published detailed reviews of every BBC service. We have been struck by the strong emotional connection many people have with the BBC. From young children who enjoy watching CBeebies, and their parents who value it as a safe and trusted guide, to many older people for whom their local radio station acts as a companion, friend and lifeline. And looking overseas too, millions of people have their view of the UK shaped by the BBC, regarded highly for its independence, its commitment to fairness, and its ability to inform on a mass scale. It is clear that audiences demand

from the BBC standards that they do not necessarily expect elsewhere, and on occasions when those standards are not met they feel not just displeased but let down.

We have included, in an Annex to this document, a summary of the key consultation findings from our service reviews, and links to all of the supporting research reports. We believe these reports help provide a firm evidence base - on what those who pay for the BBC think of its services - to help inform the decision-making in this process.

The Trust's service reviews have highlighted a number of areas where the BBC can do more to improve the distinctiveness of what it offers its audiences. But the overall picture is of an organisation that is fulfilling its current remit successfully, a picture which is also reflected in the broader performance data:

- The BBC reaches 97 per cent of UK adults each week with its UK services<sup>3</sup>
- The BBC remains the broadcaster audiences say that they would miss most, nine percentage points ahead of its nearest competitor<sup>4</sup>
- The majority of the public believes the BBC gives them high-quality programmes and services: the public's general impression of the BBC is steady at seven out of ten<sup>5</sup>
- BBC News is the UK's most important news provider, reaching over 80 per cent of UK adults weekly and is by far the most likely source that audiences turn to for impartial news coverage<sup>6</sup>
- More than 60 per cent of adults who consume television news state that the BBC is 'best for news' on television, well ahead of all others<sup>7</sup>
- The BBC is also, by some margin, the broadcaster most likely to be thought of as offering outstanding content in core PSB output such as natural history, current affairs, drama, children's, coverage of national events and science<sup>8</sup>
- The BBC's international audience is growing, with BBC News reaching around 280 million people in 2014/15 - a 6.5 per cent increase on the previous year
- Independent analysis shows the BBC is at the heart of the UK's creative industries, successfully opening up large parts of its commissioning to external competition, spreading its production and commissioning bases across different parts of the UK and forming successful partnerships within the creative sector<sup>9</sup>
- The nature of its public funding enabled the BBC to drive the change to digital television over the past decade, through the launch of digital-only channels, and has been instrumental in stimulating demand for catch-up services over the internet, mainly through the BBC iPlayer.

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<sup>3</sup> Source: BBC Annual Report and Accounts 2014-15

<sup>4</sup> Source: BBC Trust Purpose Remit Survey

<sup>5</sup> Source: BBC Pulse Survey

<sup>6</sup> Source: IPSOS MORI, 2015

<sup>7</sup> Source: BBC Accountability and Reputation Tracker

<sup>8</sup> Source: BBC Competitive Brand Tracker

<sup>9</sup>[http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc\\_report\\_contribution\\_to\\_the\\_UK\\_creative\\_industries.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc_report_contribution_to_the_UK_creative_industries.pdf)

The value of the BBC, and its current success, is therefore built on a broad mission. This is what the public expects. When we asked people which types of content it was important for the BBC to provide, unsurprisingly they ascribe the highest importance to news, documentaries and current affairs. However there is a clear view that the BBC needs to provide a wide range of programming, and a significant majority of the public also think it is important that the BBC provides content in genres such as drama, comedy and entertainment.<sup>10</sup>

## The BBC's boundaries

But the BBC also has to justify its public funding. It needs to have some clear boundaries set for it. In the current Charter period, the primary focus of the Trust has been on getting those boundaries right. Given what we have learned, we are now proposing further improvements to the BBC's constitution. In particular our focus is on:

- A well-defined remit – refining the BBC's public purposes and duties (below)
- Further improving regulation – to hold the BBC to its remit, to consider and investigate complaints, and to address, and where necessary moderate, its market impact (see later section on Governance and Regulation).

## The public purposes

The current public purposes were introduced in 2007 to explain more clearly the BBC's aims and the reasons for its public funding.

They are as follows:

- a. sustaining citizenship and civil society
- b. promoting education and learning
- c. stimulating creativity and cultural excellence
- d. representing the UK, its nations, regions and communities
- e. bringing the UK to the world and the world to the UK
- f. 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.

These are the outcomes the BBC must deliver to the British public. Every year the Trust conducts an audience survey to test how far the public think these purposes are being delivered. The findings of these surveys are published on our website.<sup>11</sup>

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<sup>10</sup> ICM research for the BBC Trust [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience\\_research.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience_research.pdf)

<sup>11</sup> [http://www.bbc.co.uk/bbctrust/our\\_work/audiences/previous\\_prs\\_reports.html](http://www.bbc.co.uk/bbctrust/our_work/audiences/previous_prs_reports.html)

## Some suggested improvements

Our audience research shows that the public recognise and value the existing purposes<sup>12</sup>, but we nonetheless think there is scope to make them more meaningful:

- Licence fee payers don't rate all the current purposes equally while some broader qualities (more expectations or duties than 'purposes') – impartiality, independence, value for money, high quality – are seen as particularly important
- The BBC's digital purpose needs updating and refining (and is also the least well understood and supported of the existing purposes)
- Some of the current purposes/priorities are not easily defined or measured in terms of the BBC's impact as a broadcaster. The Trust's way of measuring performance has therefore been to measure public perceptions – rather than actual social and economic impact
- There is now a general expectation that the BBC contributes to some public policy objectives (for example, growth in the creative industries), but the purposes are not very explicit about this
- The language of the purposes is not currently clear or straightforward for licence fee payers to understand.

The Government has asked whether the purposes can be improved so that there is more clarity about what the BBC should achieve. We consider that the public purposes should be retained in something like their existing form, to express the broad remit that the public expect the BBC to fulfil. However, we agree with the Government that the purposes would be more meaningful if:

- The wording was simpler and clearer
- More work was done by the BBC's regulator to measure how well the purposes were being delivered
- There was also a way of capturing, alongside whatever purposes the Government sets, those 'values' or 'duties' that the public say are particularly important to them.

Therefore we propose that the BBC's purposes are made clearer and simpler, with more objective ways to assess the BBC's performance in meeting them. We also propose the purposes are supported by a set of values or duties that should underpin everything the BBC does - our research shows the following values are very important to those who pay for the BBC:

- Independence
- Impartiality
- Value for money
- The highest editorial and creative standards.<sup>13</sup>

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<sup>12</sup> [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience\\_research.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience_research.pdf)

The Green paper also suggested other potential values, such as transparency and diversity and we will consider these further in our final response to Government in the autumn. We also propose that, in future, the BBC's regulator should have a specific role to undertake a thorough examination, from time to time (perhaps annually), of how well the BBC is meeting each of its purposes and values and to report its findings. This would require a measurement framework to be worked out in advance.

The final wording of any public purposes is for the Government to determine. Based on our research and our work since 2007, we have developed an illustrative set of purposes for the BBC, which we see as a starting point for discussion with the Government and the BBC itself.

## Proposed set of public purposes

### **1. Providing news and information to help people understand the world around them**

The BBC should provide accurate, informative and high-quality news and current affairs to build people's understanding of all parts of the UK and of the wider world.

### **2. Supporting learning and education**

The BBC should help people learn about different subjects in ways they will find accessible, engaging and challenging. The BBC should also provide specialist educational content to help support learning.

### **3. Showing the most creative ideas and the highest-quality content**

The BBC should provide output that sets the standards for broadcasting in the UK and internationally. Its content should be distinctive from that provided elsewhere and it should train and develop people, bringing the best emerging talent to its audiences from across the UK's creative community.

### **4. Reflecting and representing the whole UK population**

The BBC should reflect the 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, its nations, regions and communities.

### **5. Growing the creative industries and promoting the UK abroad**

The BBC should be a catalyst for further growth of the creative industries, working in partnership with other cultural organisations, and should promote the UK's reputation overseas. It should work with others in the sector to deliver the benefits of technological change to UK citizens.

## Universality

The BBC's existing Agreement requires it to do 'all that is reasonably practicable to ensure that viewers, listeners and other users (as the case may be) are able to access the UK

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<sup>13</sup> [http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience\\_research.pdf](http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/news/2015/audience_research.pdf)

Public Services that are intended for them, or elements of their content, in a range of convenient and cost effective ways which are available or might become available in the future'. A future Charter should capture the BBC's broader obligation to provide content that appeals to all sections of the audience who pay for it, as well as sustaining the principle that the BBC's services should be widely available and free at the point of use.

## **Further work**

We recommend that any future regulator of the BBC should be given a responsibility to test the impact of the BBC against its purposes, and to assess how well it fulfils its duties. Using our suggested wording as a starting point, we will do some further work to illustrate what a measurement framework might look like.

We will discuss the proposed purposes outlined above with the BBC Executive and the Government to test whether they provide a suitable framework for the future. Before making further proposals, we will also undertake more in-depth testing through audience research of what people think BBC's role should be in particular areas, such as education and learning, or new digital services and technology.

### 3: Scale and scope

The BBC is a major public intervention in the market. The UK's creative industries have grown and flourished around and alongside it. A wide range of other broadcasters and producers continue to have great commercial and creative success, and competition between different providers has helped sustain overall standards of quality. The positive contribution that the BBC makes to the rest of the industry and the cultural sector should outweigh any negative effect, but this needs careful oversight and regulation.

The Government has raised a number of questions about the scale and scope of the BBC's services, its distinctiveness and its market impact. These are legitimate questions to ask and are clearly at the forefront of the debate around the BBC's Charter Review. Indeed, such questions have been core areas of focus for the Trust since its inception.

#### Distinctiveness

Some BBC services have very little overlap with commercial media – for instance Radio 4, BBC Parliament and BBC Children's. In other areas, there is far more debate about distinctiveness.

The Trust's programme of service reviews has allowed licence fee payers the opportunity to have their say over the distinctiveness, performance and strategic direction of each of the BBC's services. Each review has examined the distinctiveness of each BBC service within the market it operates as well as within the BBC's portfolio of services. We have set actions for the BBC to change or improve its services in this respect in a number of areas, and examples of progress include:

- Within the BBC's portfolio of music radio stations, each service now has a clear focus on promoting new, UK and live music, in order to support the UK music sector across all genres, from pop to classical. Radio 1 now has a clearer focus on serving a young audience, rather than seeking mainstream appeal, while Radio 2's mix of music, in daytime as well as in its specialist programming, is more distinctive than it was ten years ago
- BBC Online has a clearer focus on the core areas that audiences expect the BBC to provide online: news, catch up TV and radio on iPlayer, sports, children's, education; with a reduced spend and scope in some other areas
- Radio 5live has increased its commitment to covering a broader range of sports with minority interest as well as those with widespread popular appeal. In 2014, Radio 5live along with 5 live Sports Extra, covered more than 50 different sports, the most ever
- We have asked BBC television – particularly BBC One and Two to do more to take creative risks, support new talent, in line with the BBC's public purpose commitments. By nature this is a long-term action for the BBC to address, although we have seen improvements in some areas, with more distinctive peak-time drama on BBC One and audience ratings of programming as 'fresh and new' increasing.

## Market Impact

Where we have found evidence that BBC activity is having an undue market impact, or proposing to do something new which may have significant market impact, we have acted to limit this:

- In 2008 we refused permission for the BBC to launch a new local video service because it would not improve services for the public enough to justify either the investment of licence fee funds or the negative impact on commercial media
- The on-demand syndication policy, which was reissued by the Trust in 2012, ensured that BBC iPlayer was made widely available on a fair, reasonable and non-discriminatory basis. BBC iPlayer is now on a range of platforms and devices and on all of the main television platforms
- We recently reached a provisional conclusion to reject the BBC's proposed launch of a BBC One+1 channel as it would generate adverse market impact on commercial channels, likely resulting in their reduced profitability.

## Transparency

In addition, we have pushed the BBC to be much more transparent and accountable. Alongside service licences and service budgets, each year the BBC now publishes a business plan and budget setting out the scope the BBC's strategy, objectives and outline budget for the year ahead together with developments that are noteworthy or could require formal approval.

## Further work

There will be more that the BBC can do.

The focus of our public consultation and audience research work over the coming months will be to understand better what the public think about the scale, scope and distinctiveness of the BBC. That will include deliberative exercises that ask people to make trade-offs about what they would fund and what they would stop.

The BBC management will work between now and the autumn, and has said it will set out its own proposals for the future in September. We will test the Executive's ideas with the public to see where they want their money invested. We also expect the Executive to assess both the scope for further efficiency savings and how the BBC would propose to live within the financial framework provided by Budget decisions.

In the meantime, we will conduct some additional research and analysis:

- Testing arguments that the BBC makes or sustains particular markets or economic benefits - with a focus on the music industry and the effects of the move to Salford
- Testing arguments around the BBC 'crowding out' commercial competitors, which might include, for example, entertainment, TV drama or online news.

## 4: Future funding

Through the Budget, the Government has provided a financial framework for the BBC through to 2020-21.

We support the continuation of the licence fee for the next Charter period. It remains the most popular way of funding the BBC, among the public<sup>14</sup>. We also welcome the decision to modernise the licence fee to address catch-up viewing.

The Government has also asked questions about the longer-term funding model for the BBC. We agree with its proposal to rule out two alternative future models of funding:

- Advertising, which would almost certainly create considerable negative market impact for other advertising-funded broadcasters and wider media which rely on advertising revenue
- Funding through general taxation, which would put the BBC significantly closer to direct political control, and therefore threaten its independence.

### Top-slicing and ring-fencing

Accepting even a small proportion of its funding from Government has proved to be problematic for the BBC – drawing it into the Government Spending Review in 2010 and the Budget in 2015. We are therefore wary of the risks to the BBC's independence from the State that any form of Government funding for the BBC in future would raise.

We are concerned by the Government's suggestion that it might want to 'protect' or ring-fence a proportion of licence fee funding in future.

Over the current Charter period a very significant amount of licence fee money has been spent on projects of the Government's choosing. Some of these, such as helping fund digital switchover and bringing the BBC World Service into the scope of the licence fee support the delivery of the BBC's public purposes. However other forms of 'top-slicing' of the licence fee, where money has been spent on projects or initiatives entirely removed from the BBC, such as local television and broadband infrastructure, have muddled accountabilities and value for money. If the BBC is to remain independent, it is far better to have clear control over the licence fee income that it receives.

We therefore welcome the Government's decision to phase out licence fee funding of its broadband programme. We would be concerned by any other form of 'top-slicing' and our acceptance of the changes to the over-75s licence fee concession is based on our presumption that the Government will impose no further costs of this nature in the next Charter. We suggest that in future, the BBC's Charter should contain clearer protections against any Government decision to withhold licence fee funding from the BBC for a particular Government purpose. The Charter should also make clear that it should not be for Government to involve itself in specific decisions about the BBC's services or content which should be taken by the BBC and/or its independent regulator.

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<sup>14</sup> Source: BBC Annual Report and Accounts 2014-15

## Longer-term funding options

The Government has raised the prospect, in the longer term, of moving the BBC to a full subscription funding model. This would seem at odds with the principle of a universal public service BBC, which should continue to provide its content free at the point of use to all households on an equal basis. We do not, therefore, support the idea of subscription funding for the BBC's public services, although we think it maybe worthwhile exploring subscription options for the BBC's commercial services. In the meantime we will also want to test what licence fee payers think of the ideas put forward in the Green Paper as alternative options for funding the BBC in the longer-term, including a universal household levy and a combination of public funding and 'top-up' subscription services.

In the meantime, we support the conclusions of David Perry's report on options for decriminalisation. We agree that, while the current licence fee system exists, the current system of enforcement, which classifies non-payment as a criminal offence, is proportionate and effective. We would also agree that, were that system to change radically in future, for example to a household 'media fee', there could also be a stronger case for changing the system of enforcement and sanctions. For now, we will ask the BBC to pursue those of David Perry's recommendations that relate to the way TV Licensing currently operates, all of which we accept.

More generally, the Trust considers that the next Charter should set out much more clearly the process by which decisions on the BBC's public funding will be made. We propose that this should include, in particular, a requirement for a public consultation, at least with the BBC's regulator, as to the implications of any change and the funding the BBC requires to fulfil its purposes; as well as Parliamentary approval for any change to the BBC's funding.

## Efficiency

Although the BBC has historically been criticised for its efficiency, its record shows it is developing a better track record in this area. It is projected to find £1.5 billion in annual savings over the course of the current Charter. A recent National Audit Office report found that *'Delivering Quality First, the BBC's ongoing cost reduction programme, has so far delivered value for money.'*<sup>15</sup>

Of course there is more that can be done, and we will continue to drive further efficiencies and to pursue other possible sources of revenue in the light of the economic challenges that face the BBC. We welcome the Director-General's recent announcement of plans for a simpler and more efficient BBC, including steps to cut out layers of management and simplify procedures. However the Executive are also clear that the savings required between now and 2021 will not be achieved through productive efficiencies alone and there will be some impact on the BBC's services.

The Trust and BBC Executive commissioned PwC to carry out an independent assessment of the potential for long-term efficiency savings from 2016-17. PwC's assessment is based on an analysis of the BBC's main areas of operation taking into account current trends, wider market and technological developments. As one input to its assessment, PwC has been reviewing the BBC's efficiency record so far to establish the extent of untapped potential.

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<sup>15</sup> <http://www.nao.org.uk/wp-content/uploads/2015/03/Reducing-costs-through-delivering-quality-first.pdf>

While this work is ongoing, PwC's emerging findings indicate that the BBC is already a far more efficient organisation than at the start of the Charter period. This is consistent with a common sense appraisal of what the audiences receive now in return for their licence fee compared to ten years ago. Between 2007-08 and 2016-17 the Licence fee will have fallen by around 12 per cent in real terms but over the same period the BBC has introduced the iPlayer, High Definition television, digital switchover and is paying for the BBC World Service and S4C (which were previously funded by taxation).

The Trust believes that PwC's emerging findings are encouraging, and they are consistent with the findings of the NAO's review. But at the same time PwC's work indicates that the scope for efficiency savings this time will not be as large as last time as efficiencies become increasingly difficult to identify. Nevertheless, over a ten year period, we anticipate that there will be opportunities for further savings as technology allows new ways of working and as the organisation continues to become more streamlined. We will publish PwC's conclusions when they are available.

## Commercial

The BBC generated more than £200 million in 2014-15 from its commercial operations.<sup>16</sup> For some programmes, such as in natural history, commercial investment can make up more than half of the programme budget. This, in effect, reduces the amount of money each household needs to pay for the BBC. The BBC Executive is developing ideas for how it can increase this return in the future, within the scope of the BBC's commercial framework.

The Green Paper raises the question of whether BBC Worldwide should be privatised. We do not see a convincing logic to any straight privatisation. The short-term benefits of a sale would be outweighed by the loss of income and scale in the longer term. The regular commercial income received from Worldwide reduces the cost of the BBC to licence fee payers, and its ability to secure co-production funding, overseas sales and distribution for BBC Intellectual Property is central to the future of the corporation strategically, reputationally and commercially.

It is sensible, nonetheless, to explore options for any commercial partnerships or investment that could strengthen Worldwide's position and deliver long-term growth. We will respond fully on this in due course.

## Further work

As part of our work to respond to the changes announced in the Budget, we will work with the Executive to pursue further efficiency savings and to seek additional sources of revenue. We will publish the results of PwC's work in the coming months.

We will conduct some further audience research to test public attitudes and opinions about the longer term options that the Government has set out:

- the continuation of the (modernised) licence fee
- a universal household fee

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<sup>16</sup> Source: BBC Annual Report and Accounts 2014-15

- a combination of public funding and subscription only services.

We will encourage the BBC Executive to pursue whatever opportunities exist to use the licence fee to develop partnerships with others in the industry, creating greater value for the public in the process. For example, there may be ways to work with other news organisations to provide more comprehensive coverage of local news and local government.

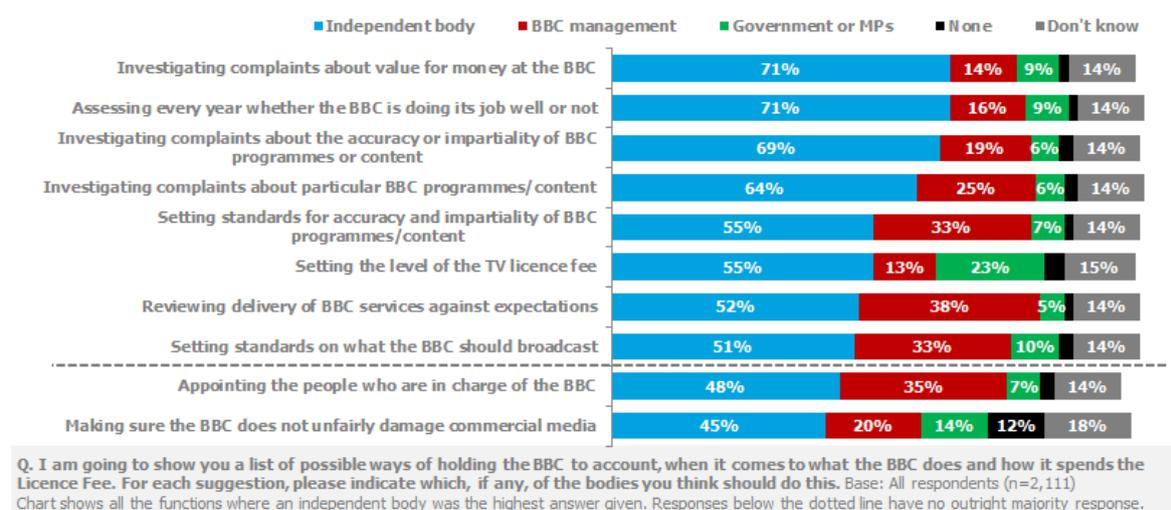
## 5: Governance and regulation

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 someone is looking after their interests. They need to know their money is being spent wisely. They need to know that the BBC is independent and not being run for its own interests or those of politicians or business. They need to know if something goes wrong it will be handled effectively and lessons will be learned.

When we asked the audience about who they would like to carry out the various governance functions required of the BBC – a majority of people favoured an independent body for most functions - not the BBC's own management and not politicians, most notably:

- complaints about value for money or editorial standards
- assessing the BBC's performance
- setting standards
- setting the BBC's level of funding.

**Figure 3: Functions which should be carried out by an independent body**



Source: ICM research for the BBC Trust

### The Trust model

The current system of governance was established in 2007, largely as a response to criticism that the previous BBC Governors had failed to provide appropriate independent challenge to the BBC management, exert sufficient regulatory control over the market impact of the BBC's activities, and provide an adequate voice for licence fee payers on major decisions.

The Trust has, in our view, largely succeeded in addressing these criticisms:

- It has established clear remits for BBC services through the creation of service licences together with a robust assessment of how those services perform

- It has applied tighter controls around the BBC's market impact refusing the BBC's requests to launch new services where the impact would have been unjustified
- It has given the public – and the industry - a major say in its big decisions
- It has set high editorial standards and provided an independent route for appeal on editorial issues
- It has enhanced financial transparency and overseen a challenging cost-saving programme while minimising the impact on the audience.

## Reforms

However, the Trust has already begun to make the case for intelligent reform of the BBC's governance and regulation.

That is because the current governance structure has created some confusion about the responsibilities of the Trust and the Executive Board – in particular in the areas of strategy and financial management. There needs to be change, so that:

- The BBC has a Board (we envisage a unitary Board with a majority of independently-appointed non-Executive Directors and a non-Executive Chairman) to run the organisation, determining its strategy and managing its finances
- The BBC also has bespoke regulation – to address public expectations that there will be a separate, independent body to hold it the highest possible standards, and to address the concerns of competitors around market impact and fair trading.

The Green Paper puts forward three options for effecting this change in different ways:

- A reformed Trust model
- A new standalone regulator
- Moving regulation to Ofcom.

## Our proposed approach

Our starting point, set out in a speech by the Chairman in March 2015, is that a bespoke external regulator is likely to be the best model.<sup>17</sup> We are now developing more detailed proposals about how that regulator would operate and will publish those ideas in due course.

Under any system, the BBC will require bespoke arrangements for regulation which, by nature of the BBC's public funding, should be different from those applied to its commercial competitors. In particular, we note that:

- The public have different expectations of the standards and quality provided by the BBC, which is why editorial regulation of the BBC has always remained separate and distinct from the commercial sector

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<sup>17</sup> [http://www.bbc.co.uk/bbctrust/news/speeches/2015/oxford\\_media\\_convention](http://www.bbc.co.uk/bbctrust/news/speeches/2015/oxford_media_convention)

- All the BBC's content, not just news and current affairs, is regulated for accuracy and impartiality, while the BBC's online content is regulated in exactly the same way as its broadcast output
- There is a particular premium on the need for absolute independence in the way that the BBC's editorial output is regulated
- The industry has different expectations about how the boundaries of a publicly funded broadcaster should be policed
- The successes of the Trust have been in applying independent scrutiny to these very particular standards and expectations – using bespoke regulatory tools such as service licences and public value tests that are not applied to other broadcasters.

In any model, an independent regulator should aim to build on the improvements brought by the Trust and to develop the tools we have used, such as service licences and public value tests. However, it would need to operate at a greater distance from the BBC and would therefore be likely to apply those tools in different ways.

On this basis, the core functions of any regulator should be:

- assessing the BBC's overall performance against its purposes and values, and reviewing any particular areas of performance (for instance, editorial, operational or value for money) where an external assessment was required
- setting a clear remit for the BBC by licensing its services and activities and setting its standards
- providing an independent route of appeal, in particular on editorial and fair trading issues
- policing the boundaries of the BBC and its market impact, in particular to assess proposals for new services.

We also propose that the BBC's independent regulator should also have a role in providing public advice on what would be a sufficient level of funding to enable the BBC to fulfil its public purposes. We recommend formalising this responsibility as one part of a series of steps to define a clear and transparent process by which future decisions on BBC funding should be taken with a greater degree of public and Parliamentary scrutiny.

We suggest that it will be important to enshrine and protect the independence of any regulator in a Royal Charter – particularly if that regulator is to have a role in decisions about both funding and impartiality – and by funding it through the licence fee rather than general taxation.

## Further work

We will put forward further ideas on governance and regulation in due course, including about future improvements to the systems of service licences and public value tests and we hope to discuss those ideas with the Government over the course of its consultation.

## Annex: Public views on the BBC's services – a summary of what we know so far

### Introduction

The Trust is clear that the public must have the main voice in the debate around Charter review and the BBC's future. Those who pay for the BBC must have a chance to get involved and have a say. However, we also know that people do not always feel motivated to respond to public consultations unless they fear something significant is at risk, or they have very strong views to share.

Nevertheless over the past eight years, the Trust has conducted a large number of public consultations on BBC services, on proposals to change these and on the BBC's overall scale and scope. These consultations have received over 250,000 separate responses from the public and drawn on the work of our Audience Councils in each of the nations of the UK. We think these views are worth looking at again at this early stage in the Charter debate.

### Views from the public on the BBC's current services

The Trust's programme of service reviews provides a very good guide to the public's view of the BBC's programmes and services as they stand today. The programme of work has included public consultations to which over 100,000 members of the public have responded. These consultations are supported by audience research, carried out independently by the Trust, to give a representative picture of what the public thinks, and the work of our Audience Councils.

#### **BBC television: BBC One, Two, Three Four**

The public has a very high regard for the quality and range of BBC television. They rate it highly for its ability to inform, educate and entertain them across a range of genres, from drama, comedy, entertainment, factual and specialist areas such as arts and religion. (We consider the public's view of BBC news and current affairs below.) The Trust found that BBC television remained the most powerful way for the BBC to deliver its public purposes, due to its high audience reach (82 per cent in 2014/15), compared to radio or online.

We found that lighter viewers are less positive about the distinctiveness of BBC One and Two and some concerns over 'chasing ratings' by the BBC. We also found that BBC television was increasingly serving younger people and BAME audiences less well and asked it to take action to address these issues.

*Reviewed by the Trust in 2013-14*

*Almost 5,000 members of the public responded to the consultation – [see responses here](#).*

[See audience research here](#)

[Read the Trust's final report here](#)

#### **BBC News and current affairs**

The Trust found that every week four out of five adults get news from the BBC. The public rates BBC journalism as more trustworthy and better informed than any other provider. They rate BBC news very highly for its range and depth of coverage and its use of specialists and expert reporters is widely recognised and appreciated.

The Trust found that the BBC makes more current affairs programmes which are consumed by larger audiences and that the BBC is perceived by the public as better than other providers for being high-quality and relevant, and for keeping them informed of issues.

The Trust found that BBC news was finding it increasingly challenging to reach young people with news and that it should take action to address this.

*Reviewed by the Trust in 2014*

*Over 9,000 members of the public responded to the consultation – [see responses here](#).*

[See audience research here](#)

[Read the Trust's final report here](#)

### **BBC Children's services: CBBC & CBeebies**

The Trust's review of children's service was based on views taken directly from children aged 6 and over and from a mix of pre-school children and their parents and carers.

CBeebies and CBBC are the most watched children's channels in the UK amongst their respective target audiences. Feedback from children and their parents and carers on these services was very positive: CBeebies received overwhelming praise from parents and carers for its high-quality programmes which are seen to stimulate children's learning and development. CBBC was praised by children for its range of distinctive UK programmes, particularly drama and factual, and for getting the balance between education and entertainment right.

The Trust noted that it was challenging for the BBC to maintain the reach and impact of both services in an environment where older children's consumption of media in particular is increasingly fragmented and where there is more choice than ever before on TV and online.

*Reviewed by the Trust in 2013*

*Over 8,000 children and nearly 3,000 adults responded to the consultations – [see responses here](#).*

[Link to audience research](#)

[Link to Trust's final report](#)

### **BBC Online**

The Trust found that BBC Online was one of the BBC's most popular services, reaching 22 million people each week. The public values BBC Online greatly and rates it highly for quality and distinctiveness. It is a trusted source of news and information and plays a vital role in delivering the BBC's public purposes, closely linked to the BBC's TV and radio services.

The Trust found that News, Sport and iPlayer were the most used and appreciated parts of BBC Online and the most important ways in which the service delivers the BBC's purposes. Other parts of the offer, such as Children's and Bitesize, have lower levels of use but are highly valued by their users.

*Reviewed by the Trust in 2013*

*Nearly 1,800 members of the public responded to the consultation – [see responses here](#).*

[Link to audience research](#)

[Link to Trust's final report](#)

### **BBC Music radio: Radio 1, Radio 2, Radio 3, 1Xtra, 6Music, Asian Network**

We found that the BBC's music radio stations provide significant value to their audiences: that perceptions of their quality are high, and that a large number of people listen each week.

Despite the growth in streaming and other music choices, we found that radio remains an important way for people to consume music, although younger audiences in particular use many other things too. Radio is still very important in helping listeners discover new music and for its entertainment value.

Going beyond audience perceptions, the Trust found that BBC music radio is a very strong part of the UK's music sector, providing essential support for new, UK and live music across all genres, from classical to pop.

*Reviewed by the Trust in 2015*

*Nearly 3,000 members of the public responded to the consultation – [see responses here](#).*

[Link to audience research](#)

[Link to Trust's final report](#)

### **BBC speech radio: Radio 4, Radio 5 live, Radio 4 Extra, 5 live Sports Extra**

Radio 4 is one of the BBC's most highly valued services: it is considered by many of its listeners to be a 'national treasure' and to be at the heart of public service radio broadcasting.

It is one of the main points of contact with the BBC for many of its large and loyal audience.

Its scale and distinctive content mean that it plays a major role in the overall delivery of the BBC's public purposes via its news, current affairs, drama, comedy and wide range of in-depth factual programmes.

Its sister station, Radio 4 Extra is valued by a still-growing number of listeners for its entertaining archive programmes.

Radio 5 live is greatly valued by its listeners for its high quality, accessible news and high quality coverage of both the most popular sports and a range of those with minority interest. Its sister station, Sports Extra, provides followers of particular sports, particularly cricket, with a chance to hear long-form coverage of events.

*Radio 4 reviewed in 2011 and 5 live in 2012. (Next Trust review of these services to be published autumn 2015.)*

*Over 26,000 members of the public responded to the consultations on these services – [see responses for Radio 4 here](#) and for [5 live here](#).*

[Link to audience research for Radio 4, and for 5 live](#)

[Link to Trust's final report for Radio 4, and for 5 live](#)

### **BBC Local Radio**

The Trust found that BBC Local radio was highly appreciated by its audience for providing distinctive local content. The stations were much-loved and seen to be a friend to many and a lifeline in local emergencies.

Listeners regard local radio's news programming highly and see it as a vital part of the BBC's local provision. The quality of local speech, together with its involvement of listeners, its coverage of sports and local community events all made the service highly distinctive for listeners.

The Trust found that BBC Local Radio was listened to by 1.3 million people who consume no other radio at all.

*Reviewed by the Trust in 2012*

*Nearly 9,000 members of the public responded to the consultation – [see responses here](#).*

[Link to audience research](#)

[Link to Trust's final report](#)

### **BBC Radio in the nations: Radio Scotland, Radio Wales, Radio Ulster/Foyle, Radio nan Gàidheal, Radio Cymru**

The Trust found that each station operates in a very different environment and meets a different set of audience needs:

- Radio Scotland provides a large number of listeners in Scotland with Scottish culture and a national perspective on local, national, UK and international affairs.
- Radio nan Gàidheal is highly appreciated by its audience for its wide range of programmes including the only source of Gaelic language news and current affairs on radio.
- Radio Wales was valued by listeners for its coverage of news and topical issues in Wales.
- Radio Cymru serves more fluent Welsh speakers than any other station with a range of Welsh language content on the radio, including high quality news.
- Radio Ulster/Foyle is the most listened to radio station in Northern Ireland and its listeners are appreciative of its high quality.

*Reviewed by the Trust in 2011*

*Around 1,500 members of the public responded to the consultation – [see responses here](#).*

[Link to audience research](#)

[Link to Trust's final report](#)

## Views from the public on BBC strategy reviews during this Charter period

### Putting Quality First consultation, 2009

This consultation proposed a range of cuts to BBC services, including the closure of Radio 6Music and Asian Network. The response from the public was the largest ever received by the Trust with approximately 90,000 people getting in touch.

The vast majority of responses to the consultation were driven by the specific proposals, particularly the closure of 6 Music (and Asian Network, although to a lesser degree).

More broadly, the public said that quality was the most important aspect of the BBC for them and they felt it was how the BBC should prioritise its services and content.

While some people thought that the BBC offered value for money, a significant number believed that the BBC did not operate in a cost effective way. Talent costs and senior manager salaries were most frequently mentioned as examples of the BBC not making effective use of the licence fee.

The public had no clear view on setting new boundaries for the BBC, with some people concerned that the BBC scale back on any activities while others believed that streamlining was a good thing.

The Trust also received several petitions submitted as part of the consultation.

1. A petition against the closure of BBC 6 Music and/or the Asian Network, signed by approximately 62,888 people.
2. A petition stating "We the undersigned call on the BBC to rethink their plans to close 6 Music and instead protect, promote and invest in this unique British radio station" signed by approximately 2,564 people.
3. A petition organised by campaign group 38 Degrees stating "Please don't slash the BBC's website, radio and TV programmes. Please put listeners and viewers first, not corporate media barons. The BBC should focus on strengthening and improving its services not cutting stations like 6 Music and BBC Asian Network" signed by approximately 45,000 people.
4. A petition organised by Avaaz.org stating "The BBC should serve the public, not corporate media barons. We oppose the slashing of the BBC's web, radio and TV programmes in order to encourage competition by Murdoch and others, and we call on the BBC to strengthen and improve instead of cutting back" signed by approximately 38,000 people.
5. A petition organised by Sister Ray, Wardour Street, London stating "We the undersigned urge the BBC to reconsider the decision to close BBC 6 Music. We believe that 6 Music is a cultural necessity and that its closure would leave unacceptable gaps in the breath of music available from the BBC" signed by approximately 506 people.

*2010*

*Over 90,000 responses*

[Link to Trust's final report](#)

### Delivering Quality First consultation, 2011

This was a broad based consultation on a series of proposals made by the BBC Executive to

alter the scope of its services in order to meet new financial commitments agreed under the 2010 licence fee settlement.

The primary driver of responses to this consultation was the proposed reduction in provision on English local radio stations. (Around 9,000 people responded to a consultation the Trust was running specifically on Local Radio at the same time.)

People's main concerns about BBC local radio were that it might lose distinctive programmes not provided by commercial stations including local news, information and sport; the negative impact on less mobile listeners who rely on their BBC local station for information as well as company through the day; and a risk that Local Radio might lose its connection with each local area if it had to share programmes between stations.

On other services people were supportive of the proposals to invest in drama on BBC One, but concerned about the plan to increase the number of programme repeats.

The BBC's online service was widely supported by those responding to the consultation and the plans to reduce spend on it and focus it on ten clear areas (News, sport, TV & iPlayer, search, weather, radio and music, knowledge and learning, CBBC and CBeebies) were generally encouraged.

*2011*

*Around 5,000 responses – [see responses here](#).*

*[Link to Trust's final report](#)*