



HOUSE OF LORDS

Revised transcript of evidence taken before
The Select Committee on Communications
Inquiry on

**BBC CHARTER RENEWAL:
PUBLIC PURPOSES AND LICENCE FEE**

Evidence Session No. 5

Heard in Public

Questions 74 - 91

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2.35 PM

Witnesses: Ms Rona Fairhead CBE, Mr Mark Florman and Mr Alex Towers
Ms Dinah Caine CBE and Ms Michelle Stanistreet

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on
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Members present

Lord Best (Chairman)
 Earl of Arran
 Baroness Benjamin
 Baroness Bonham-Carter of Yarnbury
 Bishop of Chelmsford
 Lord Goodlad
 Lord Hart of Chilton
 Baroness Healy of Primrose Hill
 Baroness Jay of Paddington
 Lord Sherborne of Didsbury

Examination of Witnesses

Ms Rona Fairhead CBE, Chair, BBC Trust, **Mr Mark Florman**, BBC Trust member for England, and **Mr Alex Towers**, Director, BBC Trust.

Q74 The Chairman: I welcome our three witnesses: Rona Fairhead, Mark Florman and Alex Towers. Thank you very much for coming in from the BBC Trust. As you have gathered, we are looking at the existing purposes for the BBC and their continued relevance. We are also looking at the ways in which the funding levels are set, with some controversy around that. We have added in now, since we found it was not possible not to do so, the issues of scale and scope—the big debate of universality versus market failure. Perhaps, Rona, I could ask you to introduce yourself and to give any opening statement you would like to make. We are not concerning ourselves with the governance issues in this inquiry except insofar as they relate to the purposes of the BBC, and indeed the funding. The actual structures, the composition of a trust or anything else, are not our business; we have eschewed consideration of that. If you want to set the scene for us in relation to the position you now see for the future, do please start with that.

Ms Fairhead: On the purposes and the funding and scale and scope, rather than governance?

The Chairman: We are not going to talk about governance but in any opening remarks I want you to tell us how you see it.

Ms Fairhead: I am happy to do so. My name is Rona Fairhead. I have been chair of the BBC Trust for a year last week. In the process of this charter review, one of our roles as the trust is to represent the licence fee payer and the public. We have undertaken an enormous amount of public consultation and a lot of research which we are now codifying and will be presenting to the Secretary of State and the department so that he hears loudly the feedback directly from the public. The messages that are coming very strongly from the public are that there is first, a huge amount of support for the BBC as a universal service. There is a very clear understanding from the public. Over 80% of the public say that one of the critical parts is that the BBC should be independent and impartial. The big issue for them is that it has to have the highest editorial and creative standards. Next to independence, the next most relevant to them is that it has to be good value for money. We can go into any of

that. We have made some recommendations about honing those public purposes. I have seen some of the questions; we would be very happy to talk about that further.

We could also happily talk about funding. The feedback that we have from the public and the consultation is that the public believe in the universality of the service to provide something for everybody. Everybody pays so everybody should receive something. It is not that the BBC should do everything for everybody but that it should be universal so that it serves the UK. The funding mechanism that seems to be by far the most favoured is the licence fee. We agree completely with the Government that you should eliminate advertising or direct government funding. I think that has been proven not to operate effectively for an organisation like the BBC in other parts of the world. We can go into the feedback from the public on what they think now of the funding mechanism and how they look at the future as technology changes, and what might be funding models for the future. I am very happy to open it up to your questions as long as I can take your leave, my Lord Chairman, to allow Mark and Alex to introduce themselves. Mark comes from a particular viewpoint on the measurement side of social impact and Alex leads the Trust Unit and has long experience. I would just give you a set from each of them, if you are happy with that.

The Chairman: Yes indeed. Mark Florman, if you could introduce yourself.

Mr Florman: My Lord Chairman, thank you for inviting me here. My name is Mark Florman. I joined the trust on 1 March, so I am quite new. I was also appointed trustee for England and I am on the Value for Money Committee. I have had 30 years' on-and-off experience in merchant banking and venture capital and have led a number of organisations. Two years ago, I was part of the G8 Social Impact Investment Task Force, and a few months ago that led us to forming B Corporations in the UK. Much of my work has been to look at the impact of an organisation on the economy and on society. Rona, my colleagues and I have been looking at the public purposes and the impact of those public purposes on society and on the economy. That informs some of the work we have put forward in our response to the Green Paper, which we can elaborate on later if you wish.

Mr Towers: My name is Alex Towers. I am the director of the trust. I lead the Trust Unit, which is the team of permanent staff who support and advise the trustees in all their decision-making. I have been doing that job since the spring. Before that, I was a member of the Trust Unit doing various jobs in different parts of regulatory work for the past five or so years. I have a reasonable experience of the trust and its work. In a previous life I was a civil servant at the DCMS, including working on the last charter review for a short time, so a little past experience of these issues the last time they were discussed.

Q75 Baroness Benjamin: There are many members of the public who need to know the importance and value of the purposes of the BBC. As you are the guardians, it would be good to know the significance of having the purposes and how worried you are for the future of them. Could each of you tell me, in your opinion, what is the value of the purposes of the BBC?

Ms Fairhead: If you ask the public what they want from the BBC, the core mission has not really changed; it is to inform, educate and entertain. When we have done any consultation with the public—quantitative or qualitative—the core mission of the BBC does come through, particularly the entertainment one; if there was one they picked out it would be entertainment. If you leave that to what it is you are really doing that is different, the public

purposes put more colour on that. The public purposes began, as you will probably be aware, in 2007. They have been effective in setting six broadly social purposes or end goals that are to be achieved by the BBC as they inform, educate and entertain through their programmes. Then we check that the purposes are being done by various means. First, there is an annual service remit where we go out to the public and ask about 34 questions so that we can do trending year-on-year to see which part of the public purposes are being satisfied as far as the public are concerned and which are less. Then, as a regulator, because we have a position where we represent the public, regulate and oversee the organisation, we have service licences for each of the services—a channel in most people’s language—which puts in more specifics so that we as a regulator can be clearer about the number of hours of a particular genre that should be in a service. It also gives the commercial market some tramlines in which the BBC operates. You have the mission, then the public services which clarify more what that is about, and then the regulation and governance are done through service licences and other periodic reviews. When we ask the public, “Are they working?”, on the whole people would absolutely sign up to the mission. Most of the public purposes they recognise, except some of the language is a little vague—things like “sustaining citizenship in civil society”. The feedback was, “We sort of understand that but it would be better if it was in clearer language”, so we took this and we would recommend a small number of core purposes that are clear, easily identifiable and understandable, such as to provide news and information which help people understand the world around them, which relates to the public. We are recommending they are kept to a short number because, in terms of a regulatory framework, they can be built in through other mechanisms. There was huge support for news and information, distinctive, creative, entertaining, original programming, reflecting, representing and portraying all the UK and reflecting the UK to the world. The two areas where the BBC needs to do more are in clarifying its role in education and learning, and whether there should be a purpose which is supporting the creative industries in this country. The music industry and the production industry would say they do, but should it be a purpose? That is in the consultation for consideration.

Baroness Benjamin: Over the past year, the trust has demonstrated an increased emphasis on on-screen representation and the declining interests of off-screen employment. Does the trust seem to be modifying its former expectations to fit in the underperformance of the BBC on diversity? When you are saying you are looking at the purposes and redefining them, how does this fit in?

Ms Fairhead: Are you saying we are reducing?

Baroness Benjamin: The trust appears to be modifying its former expectations to have more people off-screen and emphasising more of the on-screen representation.

Ms Fairhead: As far as the trust is concerned, we want to encourage both on and off-air talent. We have been challenging the executive, who I know you also work with, who are saying, “How can we help both on and off screen?” in terms of gender diversity and ethnic diversity. We have been focused on both on and off. The BBC has some very clear targets within the organisation to reach 15% BAME representation by 2017. It is on track. We pull out that as an objective “to serve all people”. There is a continued focus, I do not think there is a reduction.

Baroness Benjamin: Are you proposing to have that in your purposes as well so it is clearly written down, because some people do not understand when you use certain language? How will you define those purposes?

Ms Fairhead: There are also values and duties. People would say that there are the purposes and then the values and duties of what you do in meeting those purposes. Those values, which again are recognised by the public, are independence, impartiality, value for money and highest editorial standards. These are the values. The duties are things like transparency, accountability and diversity. I do not want to get into “Should it be a purpose or a value”. Our sense is that the purposes are what you have to do, and the how is defined by values and duties. Our response to the Green Paper consultation was these are the values the public would say are critically important in meeting those, and there are some duties, including diversity, accountability, which are how they have to fulfil them. The issue that we have is, you want a very small number of core purposes but you need to have values that flow through them. It is trying to get both without making it so complicated that you do not result in positive outcomes. The last thing I would say is what we are trying to do on the measurement—and there is a reasonable challenge at the moment—is more about process, not about outcomes. What we want is impact and outcomes to be more clearly measured.

The Chairman: Would your colleagues like to add anything to that response?

Mr Florman: The purposes are extremely important to the BBC. The rest of the corporate world is trying to catch up. Every company will have an impact on society and on the economy, and many other companies today are trying to measure and show that beyond profit there is a purpose to their existence and they are trying to engage more with people, their communities and the economy. When I first discovered the public purposes of the BBC nine or 10 years ago, I thought these were excellent and what would define the BBC beyond its mission; this is the framework in which it should exist. We have worked very hard on trying to think through the six new public purposes that should exist for the next charter. We hope they will be enduring in a way they could go beyond the end of another charter period; they should be quite profound. We have given a lot of thought to measurement and reporting. As you will have seen in our response to the Green Paper, we are working on a measurement and reporting metric which invites the BBC and then its regulator to report and comment on how each of its activities would have an impact on it as a company—for example, building intellectual property and building skills—then on the licence fee payer as a viewer or a listener and as a citizen, which is slightly different. It means a citizen in their community and their environment—how the BBC is having an impact on things going around the citizen. Finally, there is the impact on the economy; in other words, tax generated for the economy. If the BBC was more open in showing what it is so good at and the impact it has on society and the economy at these different levels, it would be less controversial. We are working very hard on this new set of metrics and, over the next few months, we hope to do more on that.

Mr Towers: Over the last few years, we see the purposes as a very useful thing that needs to continue to evolve, while the measurement framework can continue to be improved. “Inform, educate and entertain” is strongly recognised by normal members of the public so we should keep hold of that but nearly £4 billion of public money is being spent, so some greater explanation of what the BBC should be trying to achieve with that money seems very sensible. The existing set of purposes has been very helpful to the trust. For instance, thinking about diversity, which is what you were asking about, the fact there has been a

purpose which is about reflecting the UK and its nations and its regions and its different communities has helped the trust to bring a focus on diversity at the BBC and whether it is true in the last couple of years on air the BBC has been reflecting properly the whole of the population. It enables you to put a focus on that through annual reports and reviews of services to pick out particular places where the BBC ought to be improving its work. There is a further stage to go, which is what Mark was describing, to provide a more regular measurement of impact which you can keep coming back to on an annual basis, to keep monitoring and measuring whether these purposes are being achieved year-by-year. We would say, lots of good work but work in progress.

Q76 Baroness Benjamin: You mentioned the Government's Green Paper and some new possible governance models have been proposed in that. What are your concerns for the future in terms of public purposes and what role will any potential new governance model need to play?

Ms Fairhead: As we have said, the public purposes have been a very good model. As Alex said, the changes we are suggesting are proper evolutionary changes. Any model should be able to deal with those public purposes because they resonate with the public. Essentially, three governance models have been mooted in the Green Paper. We went out earlier this year and said: if you look at the current structure, with an executive board with the executive, a trust and then the NAO doing audit, and Ofcom doing market impact assessment and us working with Ofcom, there have been significant advantages from that model. The trust has brought service licences which give greater clarity in terms of the tramlines in which the competitors operate: much greater accountability; clearer editorial standards; a complaints process; a focus on new services; an ability to consult with the public; and representing the public. We are saying it is not perfect, and we have said what we think are the issues, but do not throw out the baby with the bathwater. Some good things that have happened as a result of this model; do not throw them out in pursuit of a new model. We have said that regulation and representation have been broadly well met. The area where there is blurred accountability which is not helpful is in strategy and operational oversight. We have said the front-runner model for us would be a unitary board with a non-executive chairman and majority of non-executive directors in the BBC so that it has its own unitary board, but there needs to be a regulator, and then the issue becomes whether it should be a bespoke regulator. There are lots of arguments for a bespoke regulator because the BBC is very different from any other organisation. It has these public purposes, they need to be overseen and measured and the public need to feel they can be represented and speak not just to the board but to that body. Ofcom is the other option, or there may be an option whereby some elements go to Ofcom and some stay in a bespoke regulator. That is currently subject to a review by Sir David Clementi. We are working closely with Sir David and our expectation is that it will be a considered, thorough review of what is the best option. From the trust's perspective, we want to make sure the governance that is put in place is right for both the BBC and for the public who pay for the BBC and, within that, how these public purposes and that measurement are effected, which we think would be an evolutionary step forward and an advance for the regulation. It will need to be clear about what rests with the board and a new regulator, if that is the way it goes.

Q77 Bishop of Chelmsford: Could I move us back to what Mark was beginning to explore? Leaving aside for one moment whether it is these public purposes or any new set of public

purposes, it is the job of the trust to assess the delivery of the purposes. Do you think the systems that you have are able to do that? How effective are you in measuring the purposes, particularly bearing in mind that you said yourself that some of them are open to wide and diverse interpretations?

Ms Fairhead: What do the purposes actually mean? That has to be interpreted and, as a regulator, we regulate that through the service licences. That is one of the key ways. The other is this public service remit in which we asked the public, "How do you think the BBC is performing?". No system is without blemishes but it has allowed the trust to understand the areas of concern from the public. One of the areas has been diversity: are we representing everybody within the nations and regions? Is the BBC properly representing the nations and communities in those regions? The BBC has advanced by increasing its number of opt-outs, better guidance on news and current affairs for the devolved parts of the country and regional powers being devolved, and that will have to continue. There has also been a focus on distinctiveness and whether the BBC is fulfilling its purpose of the highest creative standards. We have been able to use these to challenge the BBC through that and the service reviews that we do of the service licences to say, "Actually, a few years ago BBC1 was not deemed to be distinctive enough and needed more distinctive drama". The response you will have seen over the last year to 18 months is a significant uplift in the distinctiveness of the drama with things like "Wolf Hall", "The Honourable Woman", and "Doctor Foster" just coming through. There is a pipeline now of more distinctive drama. My sense is that it has allowed us to engage with the public and consult to get feedback on where they think the BBC is not meeting those purposes. We are then able to do something about them.

Mr Towers: What we have done over time is to take what you say are quite general headline statements of the purposes and divide them into chunks of headings. This makes more sense to someone you are asking in a piece of audience research how the BBC is performing. You try to test how important they think those different elements are and how well the BBC is performing, looking at the gap that sometimes exists between how important people think something is and how well they think the BBC is doing that. As Rona mentioned, one of those historically is a statement where we asked people whether the BBC is providing fresh and new ideas. Historically, there is quite a significant gap in terms of audience perception and how well the BBC is doing that. Over time, that has been a prompt to lots of the trust work through its other regulatory tools with service reviews of particular parts of BBC output, and the gap has shrunk a bit over time. In the last year that is quite encouraging; there is still a gap but it has got smaller. That is one important and helpful means of measuring these purposes and making them real to people. We also feel there is more we can do to measure not just the perception out there in the public of how well the BBC is doing these things but some of the impact, which requires a more developed measurement mechanism but is something a future BBC regulator could put in place. Other than that, we are reliant on set-piece reviews of particular services which are very helpful, very in-depth pieces of work. Lots of different audience research and consultation goes into those, but that is a case of reviewing every service once every five years. So it is deeper but less regular than the annual look at how are we doing against the public purposes.

Ms Fairhead: There will always be a place for that and the feedback and consultation in the areas that need improvement, but there is the actual outcome you are trying to achieve: is it an increase in diverse representation on-screen and off-screen; is it a specific return in terms of the contribution to the economy? As more and more organisations are looking at the

impact of what they do, this might be a sensible evolutionary step forward for making it more tangible.

Mr Florman: In the first instance, this reporting could be undertaken by the BBC annually and the metric of measuring that would be undertaken by the new regulator. This is a very important and special task because they would assess all the reports that the BBC submit on their impact on society and on the economy under these different metrics and the regulator would assess those on behalf of the licence fee payer. This is one reason why the new regulator I think needs to be independent. It has been referred to as “Ofbeeb”. More and more in the corporate world—the profit with purpose world—we see annual reports containing extensive detail on how they think that company has impacted on other people’s lives. The BBC could do more on that. That is the model that we have been developing. We have more work to do on it but it would be a good addition to what we have.

Bishop of Chelmsford: One can make the point that almost everything could meet these purposes and therefore it is hard for audiences, policymakers, competitors, to know whether the BBC is delivering against its purposes. Perhaps a supplementary to my question is: we are all very interested in what you have started to say and articulate about what new purposes might be and whether that might help us and others to measure.

Ms Fairhead: I think there are two parts. There is the purposes and outcome base, which we are talking about. The service licences is where the control happens, if you want to put it that way. It is in the service licences that the commercial world will say, “We understand the BBC can’t do whatever it likes. It has some specific requirements which are driven by service because currently that is the way the BBC is operated”. The service licences are more of a controlling mechanism. On the purposes, we could sensibly measure outcome more rather than just the qualitative feedback.

Q78 Lord Hart of Chilton: In your introduction you very helpfully set out the main headlines of purposes and the subsets which follow on. We have the purpose priorities following from the purpose remit, the purpose plan, the service licences and then an annual work plan and statement of programme policy. They all seem extraordinarily complicated to me. It may be that in practice they are not at all and it is very easy for somebody in the BBC to follow all that. Does it sound to you, from time to time, as though this hierarchy of things a boy should do if he is in the BBC is overcomplicated?

Ms Fairhead: It can work and it does work. In any creative organisation you have to make sure it does not become “Let’s tick every single box” and that is why we do not think the public purposes should have specific elements attached to them. As we go forward, service licences will need to be more flexible than they are now, particularly as one day the world may move to where channels are not quite as significant and it will be much more on-demand. There is a whole generation coming through who sometimes use channels and switch on their television to the channel or their radio programme but other times download or do it on-demand when they want to watch it. At the moment it works. The reason we have these objectives and the statement of purposes for the year is like in a business there would be the strategic plan versus the annual operating plan. That is how I would put it. We have to be very careful about not overcomplicating, not putting so many boxes that have to be checked that you are stanching the creativity. At the moment it works, but we are very clear that in the future there will have to be flexibility brought into service licences to allow for changes to be made, particularly if the BBC, as we would encourage it to do, enters into

more partnerships with cultural, art, music and science organisations, because that has to have the ability to be more fluid than the rigorous service licences we have now.

Lord Hart of Chilton: That leads me to wonder whether channel controllers and commissioners can safely take on board their share of the purposes, as you demand they do, when they have this hierarchy of things they have to be looking at all the time. Do you think that works? Do you have any evidence to show there have been failures in that respect?

Ms Fairhead: There is a challenge to make sure it is not overly complicated. It works in the sense that if you look at the number of hours of a particular channel and whether the BBC met all its obligations in terms of a minimum number of hours, the answer is yes, it meets them all. Then the question becomes: how much time is spent on ticking the boxes versus creating the programmes the public want? That is why, whatever the governance structure—which will affect how they are written—when we create these new service licences for the future there has to be a degree of more flexibility in there. That does two things: it allows the commercial competition to know the BBC is being properly regulated but it does not micromanage the BBC in a way that stops the creativity. That is writing the detail of how those service licences operate and what will be appropriate with annual objectives or not.

Lord Hart of Chilton: Do you get complaints internally that this is all too much?

Mr Towers: There is a degree of concern inside the BBC management that there is too much that is too complicated. I think that is borne out by some of their submissions on the government Green Paper. You have to be careful not to invent a system that is unduly complicated and overweening for the people whose job is to be creative and innovative inside the BBC. At the same time, a degree of regulatory care and oversight is needed for this amount of public money when it is important there is no direct government oversight of the BBC precisely to make sure it is independent. Some sort of independent regulation is important. We would distinguish all the questions about purposes from the ones about service licences. The regulatory day-to-day reality is at the service level. Quotas and requirements during the licence for a service such as Radio 2 or BBC1 are one thing. This question about the purposes is a level up, really, and one for an independent body to be thinking about on a regular basis and making judgments about whether the BBC is fulfilling its mission. That ought to be at one stage removed from the people who day-to-day are trying to run the BBC and quite rightly are concerned about too many quotas, targets and complications. It is getting that balance right.

Lord Hart of Chilton: Let us go back to the purposes. Which ones do you think you fulfil best? Which are the ones you are proudest of? Which are the ones you are doing less well?

Mr Towers: I would say the purpose effectively is about news; it has some slightly baroque language around it. The BBC is scoring very well on sustaining citizenship in all the measures we use and is very clearly understood by the public to be crucially important. The two the public unprompted put at the top of the list of their priorities are news and education, closely followed by the one that is about creativity. Therefore entertainment is in the minds of the licence fee payers. The one they have been less clear about—some of our qualitative research bears this out—has been switchover, the contribution to the digital economy and new technologies. The BBC is doing rather well at fulfilling that purpose if you look at things such as iPlayer and the online offer but it is less clear to the ordinary member of the public. In terms of the performance, there are two places over the life of the trust where we have

identified issues the BBC has been working on. There is one around the purpose reflecting the UK's nations, regions, communities, where there are particular issues the further you get outside London geographically and particularly in the nations. Those are not always issues about overall performance scores on quality and the number of people reached, but about whether the BBC news and its other programmes reflects and represents some parts of the country back to the whole of the UK.

Lord Hart of Chilton: What are you doing about that?

Mr Towers: Over the course of the charter, quite a lot has been done to pursue that. One of the first things the trust did was a review of news coverage of devolution and whether there was sufficient accuracy in the way that BBC news and current affairs programmes were referring to the devolution settlement in different parts of the UK, on the back of which quite a lot has been done to improve and tighten that up. There has been a whole shift of spending outside London and more broadly across the country. Salford has been one big part of that but there has also been far greater spending outside England in the different nations. Quite a lot of work has been done but the perception is still there from parts of the population that there is more to do. As part of this charter review, that is something we want to debate further, not just with the people in Westminster but the people in the different political establishments around the country, whether there is anything else to do there. That is not completely straightforward, given budgetary restraints, but is a really important issue. Alongside the geographic issue there is also the issue we were talking about earlier, ethnic diversity, as well as gender representation on-screen, and in some cases off-screen, which the trust has been really strong in pushing with the BBC. In particular, under Tony Hall, the BBC is doing a lot to try to respond to that, some of which takes some time, but there is lots of work and initiatives up and running to improve that. That is one area where there is still an issue that needs some attention to improve.

Ms Fairhead: To give you some specifics, it used to be that London dominated in terms of production; now more than 50% is made outside London. There is an allocated network spend for each of the nations which the BBC is more than meeting. There are targets in terms of diversity. As Alex said, the reach is still there. Ninety-six per cent of the BAME audience is reached but their scores are lower on appreciation and feeling that it represents them, so there are some clearer targets for that. There was a particular problem identified with women on air on radio. I think it was sub-20%. There was a commitment made it would go to 50/50 by 2017 and it is currently 49%. So interventions can deliver tangible results. Alex is saying it is not just now about spend in regions. When I go to Scotland or Northern Ireland, it is also about portrayal. They want genuine, authentic portrayal of life in those parts of the country. This was why in Northern Ireland "The Fall" was so well regarded. It was a drama series from the news coverage in Northern Ireland. It was the same in Scotland with "Katie Morag". It is about authentic portrayal as well and that is the next move that we are discussing.

Lord Hart of Chilton: Is there a problem with Birmingham? In the papers here I found some observation on that.

Ms Fairhead: I think that has been recognised by the trust and the executive. Birmingham used to have a very big production base. That was removed and very little activity was taking place in Birmingham. One has to be realistic. You cannot have every single place in the country with a production base, but if you are looking at building creative skills it is

important to have important clusters. There is now a commitment to Birmingham: the academy is moving there and there is more focus on the digital future for the BBC, which will be based in Birmingham. That has been an issue that has been raised appropriately both at the trust and the executive and they have a plan in place to address that, which they recognise is an issue. No system is perfect but when issues are raised and there is a real issue behind them, they are taken seriously and we do what we can.

The Chairman: We have done a lot on the public purposes, and rightly so because you share our interest in that, but we must move onward.

Q79 Lord Sherbourne of Didsbury: One of the questions in the Green Paper concerns determining the scale and scope of the BBC, and that is one of the subjects we are looking at. In the prevailing regime, who decides the scale and the scope of the BBC?

Ms Fairhead: That is an interesting question. You could say that at one level that the funding settlement determines the scale of the BBC. The combination of the licence fee agreement plus any additional revenue that the BBC can get will determine that scope. On editorial decisions, there are a few genres where there are minimum hours required from Ofcom or the trust, but broadly the BBC is allowed to decide its genre choice within the guidelines of the service licences. I would say the scale and the scope is largely driven by the money and the service licences. The only interventions which happened on a regulatory basis—not by the Government; it would be wrong for the Government to decide how much should be spent by each genre—were on children’s programming, where we thought not enough original programming was being done in children’s. It had been exacerbated by the advertising being taken away from the advertising-based funded channels, so the BBC now represents about 90% of UK original children’s and we thought that needed a little more.

Lord Sherbourne of Didsbury: In terms of horse and carriage, looking forward, would you prefer the scale and scope to be determined by the licence fee or by something else that would then determine the licence fee?

Ms Fairhead: My personal view is that the best way is to have a full public consultation on the scale and scope you want for the BBC and, at the same time, do the funding settlement, so that those two are locked together. As you will be aware, it was done a different way round this time, whereby the funding agreement happened in July and now it is the scope of the BBC within that envelope. In an ideal world—this is actually what the Select Committee itself recommended—there should be a full consultation at the end of every charter and that should both determine scale and scope and the final funding settlement.

Lord Sherbourne of Didsbury: Without going over the ground we have discussed this afternoon, you are going to have to cut your suit according to the cloth you have been given in the licence fee. We do not know what the amount of the licence fee will be.

Ms Fairhead: Provided there is no fundamental change in scope, we are not hearing any—

Lord Sherbourne of Didsbury: But there is a caveat.

Ms Fairhead: The caveat is any significant change in scope. The feedback we get from the public is they do not want any change in scope; they want a universal broad-based service. Our belief is that that framework has been set and the licence fee from the next charter will be the current fee plus CPI.

Lord Sherbourne of Didsbury: If you are now having to define the scale and scope within the resources you have, without going over the old ground of public purposes and the hierarchy of objectives, values, and all the rest, how would you begin to define scale and scope? What criteria?

Ms Fairhead: You know what the services have to be because that is baked into the charter. At the moment, there is no change in the services. It is now for the management, who have made a proposal within that budget framework, to recommend where they would put additional investment in, so some of the additional investment is in nations and regions, this ideas platform, this partnership with arts and cultural—

Lord Sherbourne of Didsbury: May I interrupt? You are answering now the very first question; the BBC is defining the scale and scope.

Ms Fairhead: No, it is defining what it can do within that envelope and that is being consulted on now. We have taken their ideas and we are right in the middle of a consultation for the public to comment on what the BBC has put forward in its proposal.

Lord Sherbourne of Didsbury: At the moment the Government says in the Green Paper the charter does not define the scale and scope. Will the new charter define the scale and scope?

Mr Towers: That is one of the questions for them to think through. As Rona has been saying, scale is very closely related to the amount of funding.

Lord Sherbourne of Didsbury: Who is going to define it?

Mr Towers: Can I have a go at scope and how it is defined at the minute and how we would say it should be defined in the future? Scope is defined by what services the BBC is operating, all of which at the minute are licensed by the trust. If the BBC wants to expand its scope by launching a new service, they have to apply for the trust's permission to do that and that is where we apply one of our regulatory processes which is called the public value test. We ask Ofcom to look at the potential market impact of such a new service, we think about the value to the licence fee payer and the public, and make some judgments and trade-offs with lots of research and consultation. The scope of the BBC at the highest level is defined by those licences which are set out for each part of the organisation.

Lord Sherbourne of Didsbury: Who decides those?

Mr Towers: That is one of the jobs that the trust has.

Lord Sherbourne of Didsbury: It is the BBC again?

Mr Towers: At the minute the trust is a part of the BBC but a separate organisation, independent of the management. As we have been saying on governance, it may be clearer in future to have a stronger separation between a BBC board that is deciding things like strategy, dreaming up new ideas for services, managing its money, and a separate regulator that will be the independent organisation taking judgments about changes to scope, remits, licences, those sorts of things, as well as some of these judgments on is the BBC overall fulfilling its mission.

Lord Sherbourne of Didsbury: Is it possible the charter could be the main determinant of the scale and scope—that is, the Government—or is it going to be the BBC within its resources?

Mr Towers: We would worry about the Government doing that at too fine a level of detail. It seems to us it is important for the BBC to have some flexibility in the space of a 10 year charter to innovate, have new ideas and launch new services. Certainly there ought to be some controls and judgments made about where it is allowed to expand and where it might not be. In our lifetime in the trust, we have said no to some ideas: the BBC expansion into local news video websites, for example, where there might have been a material negative effect on local press; or launching a new BBC1 'Plus 1' TV channel, which might have a negative impact on other commercial TV channels. Someone making those sorts of judgments, independently of the management but also of the Government, is quite important. If the scope of the BBC is defined in extreme detail and written down in the charter and stays like that for 10 years, I think the concern would be about freezing the organisation in aspic, and it needs to be creative and innovative.

Lord Sherbourne of Didsbury: You are not expecting that, are you?

Ms Fairhead: We are not expecting that. The strongest message that came through from the public was on independence. The closer you get to the Government or Parliament dictating the genres and what the nature should be, the closer you are to having a state broadcaster. Even the July framework agreement that was reached was looked at by people both in this country and outside saying, "Has the independence of the BBC been compromised?". It is at the heart of the BBC that it is independent. The public purposes allow you to have a high-level framework, the impact that an important market intervention funded by the public has, but you do not want it controlled by state because you lose the essence of the BBC, and the BBC is not a state broadcaster. Anything that smelled of that would be a retrograde step and I think the Government understand that too.

Baroness Jay of Paddington: If I may begin with a rather frivolous comment, I was intrigued by what you said about "The Fall" being greatly attractive to Northern Ireland because it was being represented. It was a very powerful drama, extraordinarily unpleasant and violent as it was.

Ms Fairhead: A sadistic, torturing murderer!

Baroness Jay of Paddington: If that is the way nations wish to be represented, that is for them.

Ms Fairhead: I think it is because they recognised their streets and countryside, not the torturing murderer.

Q80 Baroness Jay of Paddington: Exactly. Can we move to the role of the charter in the future in determining how funding is agreed? I think you said in response to the Green Paper that you want some formalised public process that involves Parliament and the regulator, whoever the regulator may be, and might presumably help deal with the question Lord Sherborne was raising about the cart being before the horse, because you are having to establish the scope and scale in response to a funding arrangement, rather than doing it proactively while you negotiated the funding arrangement. Do you want to expand on that? It enables you to comment on what happened in July—although you have already done so—by contrast with what you are now aiming for.

Ms Fairhead: In an ideal world, you would do a full public consultation on both scale and scope and the result would be, "This is the funding settlement", with an appropriate challenge for the BBC to raise funds from elsewhere through its commercial arm. That would

be the ideal world from our perspective, provided the charter does not have this cliff, which I will come to in a moment. At the moment you are trying to create something that has some creative freedom and some editorial freedom, so there is not a chilling effect of having to negotiate and think about your future every time you create a programme, but because it is funded by the public there is a reasonable expectation from the Government and Parliament that there should be some time band on the charter. We would say that a slightly longer charter would be helpful. If you look at the last four charters, they have been 17 years, 15, 10 and 10.

Baroness Jay of Paddington: There is now talk of five, is that right?

Ms Fairhead: That was a report in the newspaper. I think that would be a very retrograde step. We are saying for this time what we recommend is an 11-year charter. That is because we now have fixed-term Parliaments so it means that every charter will come a year and a half after an election. In an ideal world, we would have it right in the middle so that it does not get politicised. So 11 years and then 10, 10, 10. Our sense would be that that has to be enduring, as Alex has said, with some flexibility in the agreement to operationalise. The funding should have some form of public consultation and parliamentary oversight because it is paid for by the public.

Baroness Jay of Paddington: Have you thought how that parliamentary oversight might work or how it would be produced?

Ms Fairhead: No. At the moment there is a loophole on funding on two levels. First, at the end of the charter the funding and the charter ceases. I do not know any other organisation that has this sort of cliff without an assumption that it will endure unless it is replaced by another one. At the moment it is just a cliff. We think that needs to be addressed. There is also a situation where there is parliamentary scrutiny for every increase in the licence fee. If it rises by CPI, there is the statutory instrument. It is a loophole that you can add new obligations or set a framework without some form of parliamentary process. It is not for us as the trust to say what that should be. That should be done in discussions with Parliament because that would be a process you are more aware of than we are. We would say, because the BBC's independence has to be clear, the public pay for it, therefore they should have a role and there should be an understanding that there will be a sensible process that has both public consultation and some parliamentary oversight before scale, scope and funding are agreed. We need the protections in there that do not exist today.

Baroness Jay of Paddington: You are saying that is an ideal world and obviously that is not what happened in July. There were two specifics that came out of the July situation which I would ask you to comment and reflect on. One is, it was fair to say many people thought you had become part of the Government's welfare reform policy by accepting the payment for the over-75 licence fee. Another is a comment that perhaps members of the trust should have at least threatened to resign given the nature of the process and you looked as though you were rolling over. You have now set out a very clear process that you would like to see in future, but is that reactive to what happened?

Ms Fairhead: I think that is a wrong interpretation. On the funding for over-75s, yes it was paid for out of DWP so it was social policy. One could say the mistake was the BBC accepting that would be funded for ever by direct government funding way back when that decision was made. Then in 2010, when it was right in the middle of a charter when there were a lot of powers still, there was a debate about these potential new obligations or over-75s and a

deal was done which had the effect of a 26% cut in the BBC budget. I learnt from this process that any time the BBC is dependent on grant-in-aid funding from the Government it is at risk, and therefore to remain independent in the future the BBC has to be really wary of taking on funded obligations from any government department, but now there is none. The BBC pays for the World Service and it has taken on the responsibility for the over-75s.

In terms of how we behaved, this was put to us and was a decision that had been made. It was a manifesto commitment. It was very different from 2010 because it was an ongoing charter. This was a decision from the end of 2016 for the new charter and at that moment there is no protection for the BBC. We had no legal ability to say no because the funding ends when the charter ends—well, there is a three month gap. What we said was that this would lead to such an appalling effect on the BBC that, doing our job of representing the licence fee payers, we would work with the Government to get as many mitigations as we could to offset that impact, which included the broadband rollout being taken away, other obligations being scaled down resulting in zero, reattaching an inflation link, which had the overall effect of a 10% reduction over the time, which is still significant but bearable, and the BBC still has the scope of the public telling us what they want. I have been very public—it was not a great process. Both the trust and the executive were involved all the way through. We fought to make sure the mitigations were as strong as they could be but from a position I would not want a future chair to be in.

Baroness Jay of Paddington: Do you really see the over-75s as being an appropriate expenditure by the corporation? Is it really in the interests of all licence fee payers?

Ms Fairhead: It has been decided and imposed on us. In five years' time the policy will move to the BBC.

Baroness Jay of Paddington: I am not talking about five years. I was talking about the long-term—your ideal world.

Ms Fairhead: That is something the BBC and we will be looking at, which is what is the right way forward. At one level you could say that at least now all the strings of revenue are controlled by the BBC. Like a lot of businesses which are in charge of their own concessions, they decide what is best in the interests of all their customers. That is for down the road. There are two good things. The package allows a sustainable and strong BBC, which as representative of the licence fee payers we want, but it also means the BBC controls its spending, which is why we are clear that protections need to be in place so that, in the future, the independence of the BBC cannot be seen to be compromised in a similar way.

Baroness Jay of Paddington: On the question about financing catch-up TV, BBC iPlayer, et cetera, how do you see that fitting into any potential new licence fee arrangement?

Ms Fairhead: The actual operation and mechanics are being worked on by the executive, and they are coming later so that might be a question for them. The public would accept that a licence fee with some modernisation is a sensible funding mechanism for now so long as broadcast remains the dominant way in which people receive their BBC programmes. As that changes, in the future you will need to look at other models. The modernisation makes sense because it is the same content and people say, "Isn't it strange if you watch the same programme an hour later you don't pay, but you do if you watch it live?".

Mr Towers: We have done some audience research recently which suggests that people think that makes sense. They worry more about the slightly bigger options for change to

governance. Working through how that would work, with ideas for top-up subscription or whatever, those worry people more, but the simple idea that you pay your licence fee to watch the iPlayer as well as BBC1 live seems to make sense to the general public. The Government have said they are going to do that so we hope they will push ahead with that legislation.

The Chairman: We have gone over our time but I am going to ask my colleagues if there are quick questions they could put before we conclude.

Q81 Lord Goodlad: Do you think there should be a different way of determining the level of the licence fee in the future, such as the suggestion of Professor Barnett there should be a press recognition panel type of body to do it? Do you think that is a good idea?

Ms Fairhead: We have said in our response that that might make sense. It is done in Germany, for example; there is a commission. It is the Government that will eventually decide but it is a recommendation. We think that would make sense and it would make sense for that to be put into this regulator. Mark alluded to that a little earlier. We think that has some merit.

Lord Goodlad: Do you have any plans for commercial endeavours to increase the corporation's revenue?

Ms Fairhead: How the commercial endeavours happen are for the BBC as long as it operates within the fair trading rules. If you look at the ability of the BBC to take advantage of the intellectual property and the content, the licence fee payer has taken the risk in creating that and they get the benefit of returns if that can be sold overseas. If the money is paid back, either through production or dividend back to reduce the level of the licence fee, which it is currently, that is a very good model. It has to be clear that it is within fair trading rules to make sure it is not unfair competition. We certainly do challenge the BBC to look at all other ways to get in revenue so that the value for money is as good as it possibly can be for the public.

Baroness Bonham-Carter of Yarnbury: I had a slight sense of déjà vu listening to your answer to Baroness Jay because I remember when the last licence fee settlement was agreed and frozen, it was all going to be fine because it was for five years—"We're protected" and so on. I am interested that you said the future of the BBC needs to be more protected.

Ms Fairhead: It needs to be done now. The protection is needed in this charter.

Baroness Bonham-Carter of Yarnbury: I do remember that the BBC was not keen on the over-75s policy when it was introduced. I think I know what your response will be to this. The Secretary of State in his RTS speech seemed to be interfering with scheduling and trying to suggest when the public should be watching their BBC news. You have mentioned that in your consultations the public are most concerned about independence. I would like to hear what your feeling is about that.

Ms Fairhead: I just think it is about independence. You do not want the Government deciding the genre or the schedules. As a trust we do not dictate the schedules, that is for the management. That is an editorial and creative decision and that is the place to make the decisions.

Q82 The Chairman: May I ask whether you have any final comments and whether your colleagues would like to say anything to conclude proceedings?

Mr Towers: I think we have covered a lot of the ground and sent in a submission with some more of the facts and details. In the next few weeks we will be publishing lots more, so we will keep sending it to you.

Mr Florman: The only final comment I would make is that, as Rona said, I have never seen a company with a limited life where you hit a cliff 10 or 11 years from now. The next charter could be enduring and sustainable even though it will have a lifespan. If it was written to survive for ever with an end date, our successors 10 or 11 years from now would look at it and think, “Do we need to change anything apart from the end date?”, which would make a stronger charter.

The Chairman: That is a very helpful final comment. Thank you very much for coming in—we are most grateful to you.

Examination of Witnesses

Ms Dinah Caine CBE, Chair Designate, Creative Skillset, and **Ms Michelle Stanistreet**, General Secretary, National Union of Journalists.

Q83 The Chairman: We come to part two of our afternoon session. We are still being televised, and you are on the public record. Thank you very much for coming in. We are looking at the purposes of the BBC and the arrangements for the funding. We have added an additional layer to our inquiry covering the scale and scope of the BBC. We are very grateful to you for coming and helping us think these things through. I do not know whether either or both of you would like to make any opening statements. Perhaps you could introduce yourselves and tell us a little about your background.

Ms Stanistreet: My name is Michelle Stanistreet. I am the General Secretary of the National Union of Journalists. We are the trade union representing journalists in the UK and in Ireland. We have around 30,000 members, and a significant chunk of those members work at the BBC. As licence fee payers we all have an interest in the future of the BBC as well. Thank you for the invitation to come along today.

Ms Caine: I am Dinah Caine. I am chair designate of Creative Skillset having been the chief executive for many years. Creative Skillset is owned and invested in by the industries. Its purpose is to achieve industry-wide collaboration and investment, ensuring that we have the right people with the right skills and talent in place to build and grow the industries.

Q84 Bishop of Chelmsford: Thank you for coming today. How well do you feel that the BBC’s public purposes have been achieved and are achieving their aims?

Ms Caine: To a great extent the BBC has achieved its public purposes as they currently stand. The area that I particularly want to contribute on is the scope and the review of those public purposes going forward. We would like to see one added that relates to the training, skills and education of those working for the BBC, those commissioned by the BBC, those working in the industry as well as the broader learning and education aims that currently exist. The reason for that is, as the BBC rightly says, that it is a cornerstone of the creative industries. The creative industries rely entirely on the skills and talent of the people who work in them.

You will have heard a lot about intellectual property being the absolute capital that we exploit. In relation to that, if the BBC is the cornerstone of the creative industries, it also has to be the cornerstone of upholding standards, values, investing in and ensuring there are people to deliver all its public purposes. This relates to all its public purposes, previous ones and whatever comes in the future. It is not possible for the BBC to do what it does on those if it does not have a skills and talent base.

Our evidence shows that over this past period, and partly as a result of the cuts that have taken place, the BBC Academy in training and skills development within the BBC has suffered far higher cuts than other parts of its budgets. That is leading to skills gaps and shortages in certain areas, which then relates to economies of scale, added value and value for money. We see it as a virtuous circle and feel having that public purpose will help to hold the BBC to account for its own purposes but also for its contribution to the broader industries.

Ms Stanistreet: I would say on the public purposes and how they have been achieved that the BBC has been doing pretty well in very straitened circumstances. The cuts programmes that have been implemented across the last licence fee period and the one we are in at the moment have made it incredibly difficult for the BBC to maintain the standards that it is renowned for, and the reality is that it is often members of my and other unions who are going over and above their call of duty to make sure that professional standards do not slip, but that has created a lot of difficulties for staff working at the BBC who are doing the same with fewer people and inadequate resources in the round.

On the positives, on public purposes and the sustaining of citizenship in civil society, the reach of the BBC is unparalleled. The trust that members of the public have for content that emanates from the BBC is something we should all be proud of and cherish and not jeopardise by further cuts that will inevitably take place in the next few years. During the last general election the fact that election coverage managed to reach nine out of 10 UK adults in the closing stages of the campaign is excellent and unparalleled. The fact that BBC's local news is often the only source of information where many people get real and diverse information about candidates in local and general elections is something that we should not lose sight of.

On the global outlook, we often talk about the BBC and how it affects us here, but the World Service reaches 210 million people around the world and that is an incredible achievement. Sometimes the issues of soft power and the role that plays is ignored when looking at resourcing the BBC here. It is certainly the NUJ's perspective that the World Service and the work of monitoring is vital work, which was brought into the BBC's financial responsibilities after the previous licence fee settlement. As valuable as it is, we think that work should be funded by UK taxpayers, not by licence payers, and should be funded in a different way. It is ironic that some of the cuts that have taken place because of the Delivering Quality First agenda have rendered the World Service not able to react as swiftly as they could have done with lots of changing political circumstances across the world. The BBC is now having to look at how it readdresses that gap and diverts more resources, for example, to covering the situation in the Middle East. Despite the odds, the BBC is managing to achieve considerable things, but we are at a crisis point in the future of the broadcaster and it is not going to be able to continue delivering to this degree in the future if we allow such significant changes to take place.

On training, I completely agree that training is often one of the forgotten strengths which the BBC has and an excellent part of its work and remit. It is certainly an area that has faced cuts, but clearly so has grassroots journalism and programming. In the implementation of the cuts and the decisions the BBC has taken as a management, we believe that it has been disproportionately focused on grassroots journalism and programming, often ignoring the fleshier layers of management in that process, which is to the detriment of the content and the quality of the content which the BBC is able to produce.

If any additional purposes are to be added, my one concern would be there have to be the resources to enable the BBC to meet those. It cannot be money that is then re-designated or diverted from what the BBC is fundamentally about, which is producing quality content, quality journalism and programming. In principle, the NUJ would in no way oppose the addition of training as a public purpose because it plays a vital role, but equally the commercial sector has its own responsibilities for training its staff and the people who work for them. In an increasingly casualised work environment for journalists, the role of the BBC is becoming even more important in training, and the BBC Academy does some excellent work in that regard.

Q85 Baroness Healy of Primrose Hill: You both believe that training could be incorporated as a public purpose. Ms Caine, you have said that the BBC should be doing more to develop skills in the creative sector by making training and development one of its core public purposes. Why do you feel the BBC has a greater responsibility in this area than other public service broadcasters? Should anything else be added to the public purposes?

Ms Caine: You are absolutely right: every single public service broadcaster should have a responsibility towards supporting the training and development either of those who work directly for them or those they commission through the third-party arrangements with independent producers. That includes the large number of freelancers who operate within these industries. All the research and evidence that we have points to the fact that freelancers experience a very different interface around investment addressed to training from others. All public service broadcasters should have greater address to it. One of our disappointments is that Ofcom has not looked at this issue in more detail in its market overview.

All companies, whether they are public service broadcasters or private, should be attending to these issues, because at the end of the day it is absolutely key to business success, to profits and to quality. For the BBC it is even more important, because the BBC is clearly the only organisation that enjoys the level of licence fee support, is the standard-bearer, the cornerstone, of what keeps the rest of the ecology honest, if you like, and up to a standard. The BBC therefore has an incredibly important central role and level of investment that should enable it to be an example to the rest of the industries.

To go back to what has just been said, I reiterate: if there are people with the right skills and the right talent at the right cost available. In some areas that clearly is not the case at the moment; there are gaps and shortages emerging in some of the key tax credit areas and key areas where the BBC is so superb, which is high-end television drama and film, the costs of making those programmes is going up. Proper attention to making sure that the right supply of skills is coming in will enable the BBC to make the savings necessary for it to reinvest in greater support for training and skilling the next generation.

Ms Stanistreet: I agree that the BBC has a unique role to play in training and should lead the way, and it is right that it does. One of the things that the BBC is to be commended on is some of the schemes that it runs to bring new talent into the industry at an entry level, because it is an incredibly difficult industry to get into and is one where diversity is parlous in the broader industry particularly. I am sure we will talk about the BBC's own problems in that regard as well. But ways of making journalism and the media more accessible are to be commended and welcomed, and I would like to see the BBC do even more of that. I agree that other public service broadcasters equally have a role and Ofcom should be doing more than it currently does in that regard, but the BBC is in a leadership position and it is right it should focus on that. I have concerns that its overall resourcing as part of that ecology of responsibilities and obligations does not come from an already existing pot. If further responsibilities are to be placed on the BBC, it needs to have the resources to be able to fulfil them properly.

Q86 Baroness Benjamin: I want to turn to diversity, which I know Creative Skillset has promoted over the years. With particular reference to the fourth public purpose of the BBC, which, as you know, is "Representing the UK, its nations, regions and community", how well is this purpose being fulfilled by the BBC? Do you think that people, especially those from culturally diverse backgrounds, are being well served? Do you think anything could be done differently? What are your views on the Lenny Henry proposal about ring-fencing money for BAME programming and talent?

Ms Caine: I will start with community, as you have guided me towards that rather than nations and regions, although those are key areas that we may want to return to. It is interesting that the fourth public purpose puts community at the end of that list. It is also interesting that, in relation to the committees that are currently set up, there are committees overseeing and liaising with listeners and viewers on the nations and regions, but there are no similar committees that relate to community.

Specifically on BAME, it was our census work that came out in 2012 which showed that the number of BAME people in the workforce had actually gone down across the media industries. It was 7.4% of the total workforce in 2006 and it had gone down to 5.4% in 2012. That research evidence base is incredibly important, as is the tracking that we do, because it allowed Lenny and colleagues to be able to demonstrate and start to talk in very real, measurable terms about the position of BAME employees and freelancers across the industries. I think the BBC would be one of the first to admit that it needs to do more in this area. It has started to seek to do more, along with other broadcasters and organisations like us, through the CDN—the Cultural Diversity Network. Its work is going to go into greater, more granular monitoring both on and off screen, which is absolutely vital, because measurement is all now in terms of the plans and commitments that have been made to address these issues, of which training is one part. There have been lots of training initiatives, but at the end of the day people can only move on and up and critically take leadership roles within these industries if there are peer examples. Those are what are needed, not just the apprentice and entry levels. That can be achieved only if these issues are taken really seriously and if training gets turned into employment and employment gets turned into recognition and promotion up those ladders. The two have to be looked at hand in hand. Training plays a part, but what is critical is employment practice. I am delighted to see that targets are now in place and work is going on to support those targets.

I would prefer not to comment on the ring-fencing of budgets. I am not clear about the level to which that would or would not help an increase in programme-making. I would say, however, that there is a huge amount of talent out there that is not being utilised and needs to be, and in doing so the BBC would be fulfilling its public purpose more effectively than it is at the moment.

Ms Stanistreet: As a union, we strongly believe the BBC has to be representative of the audiences in the UK. It also means that their workforce has to be representative. The industry average is 5.4%, and the BBC's figures show that just over 13% of its staff are from BAME backgrounds. The BBC has made a lot of public statements in the past year about tackling the problems that it admits it has on diversity and cleaning up its agenda in that regard. I think it is fair to say that both the union and our members have a fairly cynical approach to that. The BBC has no shortage of policies and no shortage of warm statements, and it is undeniable that it does better than other parts of the industry, but at the same time as pronouncements and commitments have been made to change for the good, we are seeing the reality of the way in which the cuts have been implemented throughout the BBC. At the same time as the BBC is saying, "We want more black and ethnic minority journalists and we're having these projects to enable more talent to flourish", we are seeing talented BAME journalists losing their jobs and targeted for redundancy, and people who have experienced bullying and harassment at the BBC because of their race, gender or age. There needs to be a more systemic cultural shift at the BBC to enable that to take place.

As a small example of a recent discussion amongst the trade unions in meetings with the BBC—we have regular meetings to talk about the implementation of the so-called Delivering Quality First programme, which is cost-cutting, in a very small but significant department because it is the department that runs news; it is James Harding's small empire, which runs the top of the news, News HQ—the statistics, when we eventually got them, demonstrated as a matter of fact that in the course of those cuts taking place, all the BAME members of staff had lost their jobs, the disabled members of staff who worked in that department had lost their jobs, and the women who were left were under 40. It demonstrates that forward thinking does not take place in the implementation of these changes.

As unions we have been saying that the BBC has to have an equality assessment project at the outset, so that it can make sure, and it has a responsibility to make sure, that when it is embarking on these cuts—arguably these have been forced upon the BBC, and it has to make the budgets meet—that they are carried out in a way that does not undercut other commitments that it has made publicly to us as licence fee payers and to its own staff. To be welcoming new talent through the door, whilst it is happily dispensing with existing talent precisely of the type of journalistic background that it says it wants to encourage and allow to flourish within the BBC, makes it very hard for us to think that there is real commitment behind achieving change.

There has to be a more joined-up approach. We would like Ofcom to take a more beefed-up role in making sure that equality monitoring happens at the BBC and elsewhere, and that if it does not happen there are some sanctions; that it is not just another report flagging up failure and a new set of promises and commitments that in time we might see have not quite cut the mustard. We would like there to be sanctions and penalties if those changes do not take place, because in equality and diversity the BBC also has a critical role in the broader industry. Sometimes it feels that we are perhaps disproportionately critical of the BBC, but we have to be because they should be exemplars and leading the way for the rest

of the industry, not having to be forced and pushed to make these changes, which are so important in a democracy where our public service broadcaster reflects the population that it serves. These are quite basic things.

Baroness Benjamin: What sorts of sanctions and penalties are you talking about?

Ms Stanistreet: I would imagine that it is always money that makes the difference to people, so some degree of financial sanctions. Whatever replaces the trust as the governance structure should take on a bit more of a proactive watchdog role to help shift behaviour for the better. The reality is that if there are consequences for things, people's behaviour shifts pretty rapidly. I could not imagine a scenario where our public service broadcaster put itself in the position of incurring financial penalties or other kinds of sanctions. It would change behaviour pretty sharpish if there were teeth to any governance structure in place.

Baroness Benjamin: Would these include quotas?

Ms Stanistreet: We would not be averse to those if that was a way of achieving change in a speedier way. There are issues across the piece. It is important always to look at diversity in the broadest possible sense. The report that came out from the Lords was excellent on women in broadcasting. It is a problem where you have a situation where women over a certain age become invisible, particularly in important onscreen roles or in positions of influence, and that has to be addressed, or when you have people picked off in redundancy rounds because of their caring obligations, their age, their gender or sexuality. These are problems in the round that need to be addressed. The BBC has to lead the way, and if we have to help the BBC to get there sooner than it is managing at the moment, that is all to the good in my view.

Q87 Lord Goodlad: There have been suggestions that the BBC is having an adverse effect on local newspapers. Do you think that is true?

Ms Stanistreet: No, it is complete cobblers. It is perpetuated by those leading the local and regional newspaper industry who have a vested interest in trying to grab a section of licence fee payers' money that rightly belongs within our public service broadcaster. It is a confection being perpetuated because, yet again, other ways of top-slicing the BBC are being mooted as desirable. There is absolutely no evidence to suggest that blame lies with the BBC—quite the opposite: the titans who run the local and regional newspaper groups in the UK, whether run from here or massive companies run from the States, have encountered problems because of their own failures of business models. They enjoyed lavish profits for many years and did not reinvest in journalism. In their rush to get on to a multi-platform approach, they do not necessarily have a business model that sustains that. They have sought to cut and cut costs to maintain very high profit levels, and in the process not cared that they do not have enough local reporters to cover council meetings or people who can cover health and education—vital things of importance to local communities. They have only cared about their bottom line. Now they see that the BBC is ripe for the picking, particularly because the political and ideological circumstances are there for them to be able to achieve that, and they have been going hell for leather to lobby to secure some money from the BBC. It is of huge concern to us, because the industry is in crisis and the NUJ has been calling for a parliamentary inquiry into the future of local and regional press for a couple of years. It is a really important issue because of the democratic deficit that is created when you do not have a flourishing local newspaper.

That is not the fault of the BBC, so any attempts to try and grab money from the BBC to stick into the pockets of the shareholders who run the local press have to be avoided. It is kind of outrageous that it is gaining ground as an option, and it concerns us because in the dodgy back-door dealing that has been going on between the Government and the BBC, we fear that this is one of the provisos that has almost been accepted. The BBC's and Tony Hall's reference to so-called "partnerships" as a positive thing in the statements that have been made today in consultation is merely dressing up this creeping mission of privatisation through the back door, to our mind. If this is allowed to pass and you have those 100 local reporters who are going to be invested in by the BBC and members of the local press can somehow bid for those contracts, that will be privatisation through stealth and will undermine the BBC's ability as a public service broadcaster to do what it does right.

Q88 Lord Goodlad: That leads me to my next question. The BBC has recently announced plans for 100 new local journalists to provide impartial reporting on councils and public services. How do you react to the BBC's proposal?

Ms Stanistreet: They are playing into the hands of these vested interests who are trying to access that money. The BBC should not have allowed the licence fee settlement to happen in the way it did. It should have resisted that and said, "It's absolutely inappropriate for this deal to be clinched behind closed doors without the involvement of licence fee payers and without due process and transparency". There were all the promises that Tony Hall made to the unions, to his staff and the public when he became Director-General, saying that he would never allow that kind of tawdry deal to happen. Well, he did. John Whittingdale, who at the time denounced it and said that it should not happen, is party to that too. In allowing those kinds of processes to take place, we are allowing the unravelling of the BBC's ability to carry on in the future. It is a land grab that is being effected. The people who are taking part in that decision-making, whether it is the advisers set up by the Government to look at the future of the BBC or Ashley Highfield, the CEO of Johnston Press, of course have a vested interest. Ashley Highfield has an enormous vested interest in his commercial empire being allowed to bid for these contracts, but it is inappropriate that licence fee payers' public money should be used to prop up private companies whose only interest is in profit-making; they are not interested in journalism.

Lord Goodlad: Thank you very much.

Ms Caine: It is hard to follow that, but I want to make just a couple of points on these issues. The first is to recognise that the BBC as it currently stands is critical in its ability to deliver local media. Given the collapse of local newspapers to the degree that has been described, it is playing an important function enabling some level of scrutiny that goes hand-in-hand with the Government's desire for both greater devolution in the nations but also critically within the English regions and city regions. My observation would be the demise of local journalism and local papers has created a bit of a hole in what previously would be the ladder for development of journalists coming out of local press and moving into broadcast media. I add that to my list of reasons. I have other reasons why the BBC needs to be looking at investing more in upholding skills and standards. In all these discussions around partnerships on local journalism, the training and skills piece needs to be key rather than, as so often happens with it and diversity, last on the list.

Q89 Baroness Bonham-Carter of Yarnbury: Michelle, in your opening statement you mentioned “soft power” and how the BBC contributes in the world outside the UK. I want to ask about the BBC and the wider creative economy. How important is the BBC’s role in the creative economy of the UK, which of course feeds into the skills deficit? We had Sir Peter Bazalgette in front of us, and he told us one of the justifications for the intervention in the marketplace that is the BBC is the value of the creative industries democratically, culturally, socially and economically. I suppose I am putting a statement to you, but I just want to hear what you felt about that area.

Ms Stanistreet: There is an enormous economic rationale for the BBC existing. Every £1 of our licence fee money that is spent generates £2 more of economic activity in the broader creative sector. It plays a huge role which I think is sometimes overlooked when considerations about the BBC are made. We work very closely with our sister unions in the Federation of Entertainment Unions. It is a massive economic driver way beyond the ripple effects that are felt throughout the entire industries, and the prospect of that being diminished in some way is of huge concern.

You mention what Peter was saying, and there are so many other voices in the broader independent commercial sector who all say that the BBC is absolutely critical with its size and scope and ability to make creative decisions that other companies cannot do. The detriment of not having the BBC would be felt by a bigger size of industry than simply the BBC within its own internal reach. It is very important for us. There are so many examples of cultural excellence that emanate from the BBC.

Baroness Bonham-Carter of Yarnbury: We talked about diversity. Do you think the BBC’s reach in the ripple effect of this nationally is good enough, or is it still a bit too London-centric?

Ms Stanistreet: Changes have taken place to try to improve its geographic spread and make it more diverse in a UK-wide sense. There would always be ways of improving that. Genuine efforts have been made, but I do not see that as the end destination. It should keep going. As a result of the changes that have taken place in the areas that we represent in journalism and programming, some parts of the BBC have been particularly badly hit in Wales, Scotland and Northern Ireland. There are real opportunities for the BBC to beef up what are often very skeletal operations there now as a consequence of those cuts, so we would fear any further cuts to come, and we know that there will be now. That is a source of real concern to us: that the implementation of cuts will weaken the ability of the BBC to deliver quality.

Ms Caine: It is a very important question. It is an area where government needs to consider the join-up between various parts of its policies. As an economy we are currently looking at key sectors where growth and jobs are being delivered and now we are dealing with what is called the productivity puzzle, because we are so lagging behind in productivity. The creative industries are the fastest growing sector, one of the biggest employers and have one of the biggest potentials for growth and high levels of productivity. I sit on the Creative Industries Council and chair, you will not be surprised to hear, its work on skills and education. Effectively, the BBC is, as it says, a cornerstone. Literally, if it gets impacted and affected in too strong a way—

It forms the foundation of a lot of that success. It is incredibly important to the creative economy. It is interesting when you look at the BBC’s own submission that it had asked questions of viewers and listeners, and the potential question they had worded on the

creative economy was the one the licence fee payers had the most difficulty with. I understand that because it is not obvious, but for those of us who understand the industries and mechanics and the way in which it plays such an important purpose—it may be more immediately hidden—it is absolutely critical.

Going back to what Michelle was saying about soft power, the BBC brand abroad is incredible, and what it does in relation to exports and so on is also really important. However, I would also say about the creative industries and the analysis of where there are market failures—and you will not be surprised to hear me say this—that the make-up of these industries and levels of project working and freelance working has meant that skills and education are one of the biggest challenges that we face as a set of industries. That is clearly articulated in the Create UK strategy. My concern about the BBC bundling the training for broader industry into a putative public purpose to do with the creative economy is not that I do not believe that the creative economy is important—that may well require a public purpose—but that the training and skills issue is not just about the broader industry and creative industries but absolutely central to the BBC's ability to deliver its other public purposes, to deliver quality content on to screens, to do that at cost and with efficacy, and to enable all the other public purposes that it is there to deliver.

To that end, I will pick up on the second part of what you were driving at which also links to the question about the fourth public purpose of nations and regions. It is true to say that the creative industries as a whole are very metro-centric and that within that the BBC has made, and is making, strong moves now to seek to devolve and create targets for the nations but also for production within England. I have to say that if that is going to be enabled—and I know that the BBC has asked for more investment to address these issues—it absolutely requires both an infrastructure and a skills and talent base locally in order to properly support the growth, the sharing of the industries, the content and the job creation that comes from that outwith London. At the moment, there are a lot of addresses in Scotland but actually the companies are in London, or you produce a drama in Wales but take people to Wales to do that drama. There are lots of examples of really good work going on to address this, but if those aspirations are going to be achieved within the lifetime of this next charter review, the skills and talent links to the nations and English regions need to be significantly addressed.

Q90 Lord Hart of Chilton: Some would say that the BBC should shed some of its output, because it hinders or crowds out commercial operators. On the other hand, there are many others who say that the BBC is a stimulant to the market and an effective help to the area in which they operate. What do you think? I can rather guess what I think you are going to say, but surprise me.

Ms Stanistreet: That is a challenge, isn't it. There is no evidence to suggest that the public want to see a smaller BBC, diminished in size and scope. I think that 96% of the UK population listen, watch and enjoy the BBC in some form. That should be celebrated and is something to be proud of. There is absolutely no evidence to support any desires for a change to that. The fact that the BBC is enjoyed by such a diverse and broad range of the population underlines the importance of a public service broadcaster, because it is fulfilling a role that nobody else out there is doing. It is producing the niche content. It is producing the specialist stuff. It is producing a breadth and range of things that inspire people. When you speak to people from all walks of life, everybody can think of something that they prize and

value from the BBC as things stand. It might be a local radio station, online news, sport. For the parents amongst us, it could be the prospect of advert-free CBBC, and CBeebies is worth 40p a day alone. It could be news and current affairs. All these are great things. Who else would put on the Proms? Who else would run very long investigations into journalistic initiatives? Nobody else is doing that. We should not allow that to be compromised or jeopardised. The notion that somehow the BBC should content itself only with covering what the rest of its commercial competition cannot be bothered to do is insulting and fanciful. The prospect of politicians, the Culture Secretary or anyone else, bothering themselves with what time the evening news is on or whether people have to watch “Strictly” or “The X Factor” and make a choice is equally silly. In the days of catch-up TV that is not even relevant. The BBC exists as an entity, and we should protect that and be proud of the fact that 96% of the population enjoy it, and find something from the BBC that matters to them.

Ms Caine: I am not able to talk about areas that it should or should not jettison. I would say that the range that it delivers is phenomenal. Areas where it should think about doing more is through content commissioning and delivery. It is really important that it addresses devolution and diversity in terms of where those programmes are being engendered.

Q91 Baroness Jay of Paddington: Both of you have been very clear. Michelle has talked about dodgy back-room dealings and given your response to the July settlement. Do you think that pursuing, as I understand you are doing, a question of whether it was legally appropriate to ask the BBC to take on the over-75s allowance is an appropriate way to develop it? More broadly, do you think that the impact of the July settlement is going to have a negative effect on some of the things that you have been discussing in the last half hour or so? I should probably declare an interest as a retired member of the NUJ, but I do not think that disqualifies me from asking questions.

Ms Stanistreet: It would be hard to overstate the sense of shock people had when news of that deal came out on the floor of Parliament. Clearly the BBC was not expecting the news to come out that day and embarked upon very hurried calls around the trade unions to demonstrate why it was such a good deal that they had struck. It was a poor deal. It has set a framework for a process that fixes the parameters of the charter renewal. It is a deal that will probably unravel as well; it is not a very clear-cut deal. Whilst the BBC thinks it has a cash flat settlement, there is clearly scope for the Government to shift on that.

The taking on of what is a welfare benefit, the financial costs of the over-75s, and not just the financial costs but the future policy responsibility, is an outrage. It should never have been part of that deal and should not have been allowed to take place. It is interesting that the BBC is relatively bullish on this. It sees it as one of the prized elements of the deal that it struck, and clearly that is because it has hardened its heart to scrap this, means test it and change the thresholds when it takes over responsibility in 2020. All it has allowed itself to do is to do the Treasury’s dirty work for it. Clearly there have been political aspirations to make this shift and to lose this over time, but the political backlash will be significant.

The reality is it will be our public service broadcaster having to bear the brunt of that backlash in the future when it takes decisions that are inherently unpalatable. That should not have been allowed to happen. Yes, we have been involved in a legal exchange of letters with the BBC about the validity of that and about the fact we do not believe that it has fulfilled its obligations under the charter, because a fundamental part of that is to engage with the public and ask them what they think. Nobody has asked us as individuals whether

we want to allow a welfare benefit for the over-75s to fall into the hands of an organisation that should be focused on public service broadcasting. We have not been asked whether we would pay a bit more than 40p a day for the licence fee if it meant that we could protect the BBC's breadth of content and programming. These are really important issues. The fact is that it has now happened twice, and as a trade union we do not believe the BBC fought hard enough in that process. It should have said, "I can't possibly do this deal because it's my obligation to make sure that this process happens with integrity, transparency and in an open way. Let's have this public debate and see what we all want from our BBC". It did not allow that to happen, and that is to the shame of everybody involved in that process.

Baroness Jay of Paddington: I do not know whether you were here when the previous witnesses gave evidence.

Ms Stanistreet: I was not, no.

Baroness Jay of Paddington: The Chairman of the BBC Trust, and indeed she was supported by the members of the trust, said that this was vital, even if it was unpalatable, because of what they described as the cliff edge of the funding related to the end of the charter et cetera.

Ms Stanistreet: They have allowed themselves to be completely shafted by the Government in a deal that had no integrity or transparency. It is poor that the trust takes that attitude, because it should be there to look out for the interests of licence fee payers and it has abdicated that responsibility, however guarded the concerns that it raised at that time. It is wrong for the Director-General of the BBC to allow that to happen on his watch. He explicitly said repeatedly over several years that he would never allow that to happen. Staff feel very let down, but I think the broader public feels let down as well. We have had a lot of letters from members of the public saying, "How can this possibly happen? Surely it's wrong that this has taken place in this way?". Now it has happened twice, it is time to stop the licence fee being a political hot potato in this way and a way of punishing the BBC depending on who the Government happen to be at any time. We think it should become a non-political process with transparency and integrity and an independent body that handles that process to make sure that the deal that is ultimately struck is good for licence fee payers and the BBC. It is time that that shift takes place, because we have seen the consequences of allowing it to happen in the way it has this time and in the previous settlement negotiations.

Baroness Jay of Paddington: There is a certain amount of overlap between that view and that of the BBC witnesses on that particular issue.

The Chairman: The way of handling things in the future. Dinah, you might not wish to comment on that, but would you like to make any final remarks before we draw the session to a close?

Ms Caine: I would just very briefly. There are two points that I would like to make for the record and a quick statement. On the issues of skills and talent, the BBC is doing a lot of very good work at the moment on apprenticeships. Apprenticeships are a key priority for the Government and hugely important for fair access to the industries. However, it is also important both for the Government and for the BBC that we do not end up using apprenticeships as a proxy for all the skills, training and development needs that there are. So I would like to point out the emphasis, which needs to be looked at, on continuing

professional development for the existing workforce particularly in a period of great technological and disruptive change.

The second point is that people really do need to look in the evidence at the level of cuts that have been going on that are running at 33%. Some of those cuts have fallen in areas that are currently priority for development of needs.

Finally, of course in these sessions we are asked questions and we then have to make our comments in relation to the organisation. The BBC is an extraordinary organisation. It delivers fantastic quality and employs amazing people, and all our lives and the creative industries would be much, much poorer if it were to go or if it were to be diminished in any significant way. It is easy to criticise, but it is important also to recognise.

The Chairman: I appreciate that. Any final words, Michelle?

Ms Stanistreet: No, I think I have covered everything. I would agree with Dinah's point about the talent that resides at the BBC. The BBC is made up of huge numbers of people who are passionate about public service broadcasting and demonstrate their loyalty and commitment day in, day out. That is certainly the case for all my members and other staff who work there. The BBC embodies their passion and commitment.

The Chairman: We end on a very positive note. Thank you very much.