

David Smith

Dear Ofcom,

Following the publication today of the BBC's Annual Accounts I did a comparative analysis of proportional spend by the BBC in the UK "Nations" (Scotland, Wales and Northern Ireland – comparable figures for England are not contained within the BBC's published accounts).

In the hope that it is useful to you in considering the BBC's performance and how it might be best measured against the Public Purposes of the BBC I thought it worth a late submission, if that is acceptable?

This analysis is primarily conducted with the BBC Public Purpose to contribute to the creative economies of the UK's Nations and Regions in mind. There is no requirement that the BBC contributes to the same extent in each of the UK nations but when the disparity is significant (as it appears to be from my analysis below) I think it requires explanation on the part of the BBC and consideration on the part of Ofcom.

In the Introduction to its currently open consultation exercise the BBC notes that, "In February 2017 the BBC announced its intention to launch a new television channel for Scotland in Autumn 2018. This proposal is part of the overall commitment, made by the BBC during the recent review of its Charter, to increase investment in Scotland and to ensure that proportionately more of the licence fee is spent on dedicated services in Scotland than is the case today...". :

<http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc-annualreport-201617.pdf>

You can access the latest BBC Accounts – published this morning – here:

<http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc-annualreport-201617.pdf>

Can I refer you to the "Additional Information" section starting on page 92 (by the page numbering on the document). This section gives figures for Licence Fee raised and spent in each of Wales, Scotland and Northern Ireland:

The BBC in Wales:

Raises £188.5m of Licence Fee income

Spends £185.9m in Wales (this excludes cost of content commissioned directly by S4C which is funded by the Licence Fee).

% Licence Fee raised in Wales that is spent there is therefore at least 98.62% (though likely well in excess of 100% when Licence Fee income spent directly by S4C is added back in).

1.38% of the Licence Fee raised in Wales is spent by the BBC elsewhere in the UK (though given the S4C spend this % contribution is likely wiped out).

The BBC in Scotland:

Raises £321.7m of Licence Fee income

Spends £233.0m in Scotland (no exclusions or exceptions noted in the accounts)

% Scottish raised Licence Fee reinvested by the BBC in Scotland is 72.42%

27.58% of the Licence Fee raised in Scotland is spent elsewhere in the UK.

The BBC in Northern Ireland:

Raises £99.8m of Licence Fee income

Spends £97.2m in Northern Ireland (no exclusions)

% Northern Irish raised Licence Fee reinvested by the BBC in Northern Ireland is 97.39%

2.61% of the Licence Fee raised in Northern Ireland is spent elsewhere in the UK.

There is therefore a significant disparity between the proportion of Licence Fee income raised in each Nation and the proportion of that income reinvested there by the BBC.

The average Licence Fee spend % by the BBC across Wales and Northern Ireland is **98.00%**. In Scotland it is **72.42%**.

At present £88.7m of Licence Fee raised by the BBC in Scotland is spent by the BBC elsewhere in the UK. For comparison Wales currently contributes £2.6m to the BBC across rest of the UK (and given the exclusion of S4C direct spend from these figures it is likely that Wales is in fact a net beneficiary of Licence Fee spend) and the same amount, £2.6m, derived from the Licence Fee raised by the BBC in Northern Ireland is spent by the BBC elsewhere in the UK.

If the BBC in Scotland was to spend 98.00% of the Licence Fee revenue it raises in Scotland (in line with the average spent by the BBC across Wales and Northern Ireland) an additional **£82.26m** would be invested by the Corporation in Scotland's creative economy each year. If the BBC in Scotland was to spend 98.62% of the Licence Fee revenue it raises in Scotland (in line with the BBC's revenue/spend ratio in Wales) an additional **£84.26m** would be contributed to Scotland's creative economy.

The BBC has, in 2017, announced further investment of Licence Fee in each of the UK Nations. In Scotland £39m worth of new investment is to be divided between additional Network originations (£20m) and the newly announced BBC Scotland (£19m – with a further £11m diverted from existing BBC Scotland opt-outs on BBC Two to give the new BBC Scotland a content budget of £30m).

If we add back in the £39m of additional reinvestment announced by the BBC so far in 2017 to the figures for expenditure published today there would be up to £45.86m of Licence Fee revenue that could be reinvested in Scotland by the BBC if the ratio of income to expenditure matched that currently enjoyed by Wales and Northern Ireland (98% reinvestment). Presuming that the additional funding was applied 100% to the new BBC Scotland the additional £45.86m would give the new BBC Scotland a content budget of £75.86m pa – or approx. £68.86m pa after the announced cost of the news service (£7m) is deducted.

That sum would permit an average cost per hour for original non-news content on BBC Scotland of around £83,500 (based on the estimate of 825 original non-news hours per annum derived from BBC announcements of 60% origination levels on the new service) as opposed to an average cost per hour of circa £27,900 if the announced level of funding for BBC Scotland remains static.

At that higher price point the ambitious creative content Scottish audiences demand (and deserve) becomes much more realisable in scripted and non-scripted genres and if the new BBC Scotland is to compete with BBC One, ITV, Channel 4, Sky 1, Netflix and Amazon it's going to need to invest comparable sums in content.

Finally it is worth noting that the only income reported by the BBC and analysed here is Licence Fee income. Income from the hiring-out of staff, equipment and facilities does not form part of the comparison but is part of the BBC's income across the UK. Similarly the BBC, through BBC Worldwide, enjoys considerable IP and production income from secondary and overseas markets. Again that income does not appear in this analysis as the BBC does not detail the extent to which that income is invested in the creative economies of the UK Nations.

With thanks,

David Smith
Managing Director

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