

Creative Skillset response to the Ofcom consultation on

PUBLIC SERVICE CONTENT IN A CONNECTED SOCIETY (Ofcom's third review of public service broadcasting) February 2015

Introduction

Creative Skillset is owned and led by the industry and this is reflected in its governance structure which includes CEOs and senior executives from key companies across the industry. For more information on our governance structure and our activities please see: www.creativeskillset.org).

Creative Skillset empowers the Creative Industries to develop skills and talent; we do this by influencing and shaping policy, ensuring quality and by securing the vital investment for individuals to become the best in their field and for businesses to grow. As the industry skills body for the Creative Industries, we work across film, television, radio, animation, visual effects, games, fashion, textiles, advertising, marketing communications and publishing. Creative Skillset is also a leading producer of Labour Market Information on the Creative Industries, and uses this intelligence, as well as close consultation with our industries, to inform all the work we do. We have used and reference this research as part of our response. For more information on our Research publications please see http://creativeskillset.org/about_us/research

Our observations on the context of this review

Ofcom is required to report with a view to maintaining and strengthening public service broadcasting (PSB as defined by the 2003 Communications Act) in the future. The report recognises that PSB status brings certain benefits to certain channels and it is underpinned by certain obligations. Ofcom rightly considers PSB within the role it plays or can play in the future in developing the wider market.

The creation of content and its distribution on multiplatform devices is integral in delivering PSB and relies on necessary talent and skills being available in the workforce. Therefore, developing the talent and skills for the wider media industries is integral to all the Public Purposes of the PSBs and characteristics, from informing our understanding of the world and reflecting UK cultural identity to representing diversity and alternative viewpoints. In addition to support culture more broadly – film, the independent sector and culture institution – one needs to foster talent and skills.

In addition, in order to ensure the diversity and UK-wide reach which Ofcom has identified as critical to delivering PSB, you need a healthy supply of talent and people from diverse groups and across the UK who are highly-skilled, with relevant technical knowledge, entrepreneurial skills, understanding of industry-standards and codes of practice and ability to operate in an online digital world.

Our interest in this consultation:

Skills are an essential driver of economic success. They are one of the five drivers of productivity and enablers of enterprise and a key driver in the Creative Industries Council's industrial strategy for the creative industries, *Create UK. It is important to note that the

growth sectors which the Government has identified as part of its industrial strategy, and include high-tech as well as broadcasting, all have relevant skills strategies as a central market issue.

Public Service Broadcasting needs to serve both the media consumer and the citizen. A healthy media market that can support future PSB needs to include high quality, innovative UK-originated content, its effective distribution and plurality. In order for Public Service Broadcasters to deliver on their commitments to their audience, it is important that future PSB models support and invest in the industries' human capital - which is central to their success - to ensure a healthy, sustainable and continuous supply of creative talent and high quality skills in a fragmented business base with heavy reliance on freelancing.

Public Service Broadcasting balances the benefits it brings against the responsibilities it requires and requests of those who enjoy the status. Those responsibilities, in our view, needs to be linked to areas of market failure.

Skills market assessment

Investing in skills development and training is a business imperative but it is challenging within the creative media sectors because of its make-up of SMEs and freelancers. The vast majority (84%) of companies are small (fewer than 10 people) and just 2% of companies are large (100 people and more). The usage of a freelance workforce varies from sector to sector but it remains high in areas of content creation, particularly in the independent TV (54%) and Radio production (67%)¹. In film production is as high as 90%, and there is a lot of crossover of people working in film and high-end TV production which is also heavily freelance.

Early indications from Creative Skillset workforce survey 2014² suggest that freelance workers are less likely (47% compared with 53%) to receive training than permanent staff as well as being much more likely (74% compared with 55%) to have experienced barriers to receiving training. Freelancers are also much more likely to have an identified skills need at the time of the survey (57% compared with 45%). As PSB content is increasingly outsourced to independence and reliance on the freelance talent pool also grows, the issues will continue and they will need a coordinated approach to deal with them. When in a recent TV Employers survey, Creative Skillset asked the question who is responsible for training freelancers, the response from the varied across the TV employers but only 15% named the Broadcasters and 18% named production companies. 34% considered that it was the responsibility of the industry freelance professionals³. To summate what the employers said in the survey: "There is a broad understanding of the need for a collective and strategic approach to the problem of training freelancers, and a fear that the industry will be adversely affected in the absence of such an approach".

We would like also to add that the House of Lords Committee in their 2010 report on the state of British film and television industries also commented on the dangers of the

¹ Creative Skillset Employment Census of the Creative Media Industries (2012) available on www.creativeskillset.org

² To be published in April 2015

³ *The Full Picture: The demand for skills in the UK TV production*, Creative Skillset due to be published later in March 2015. 121 TV employers surveyed. We have attached an advance PDF copy with this consultation.

fragmented access and support to training and asserted the belief that reduction in training budgets threatens the future competitiveness of the whole UK industry. While encouraging the whole of the TV industry to invest in skills, the Committee also urged the Government to encourage PSBs to revive their investment in training.⁴

Changes to the market will also have an impact on skills, whether this is a new incentive to increase independent production or the changing nature of content consumption and distribution. We would like to The recent House of Lords Digital Skills committee reported in their recent publication on the UK's Digital Future that the evidence from employers had unanimously supported the need for a mix of technical, creative and entrepreneurial skills – as Innovate UK, for example, described as “evidence that successful digital companies now ‘fuse’ the technical and creative skills of their staff”⁵.

However, compared with other sectors of the UK Economy⁶, the creative media industries (without the tech companies) spend only 1.6% of the total UK industry training investment – it is the third lowest sector in training spend, just ahead of Agriculture. In stark contrast the IT sector (which included the tech companies) is second from the top as one of the industries that invest the highest in skills and training. Both creative media and tech sectors are driving growth for the UK economy and continuously require people with similar skillsets. Demand for these skillsets will increase, because, as Ofcom observes in this consultation the proliferation of online viewing and news services over the last few years will continue and could even play a bigger part in future PSB content creation and delivery. Underinvestment in training currently disadvantages the creative media industries against other industries which also have similar skills needs, but if the industry is encouraged to increase investment, through collective action, the rewards could be greater for the media market.

Another area that needs attention in relation to the supply of talent and skills for the industry is diversity. According to Ofcom, the audience's views on the PSB current output in relation to how representative is of the Nations' viewpoints or the UK's cultural diversity have raised concerns (see para: 1.25.2 on reflecting different cultures); similarly, as reported, young audience's views on what is needed in current PSB output: “it is more important for PSB channels to represent diversity at all levels” (para 1.27).

According to Creative Skillset research, the workforce is not representative of UK population and it is also primarily based around London and the South East (51% of the creative media industries are based in London and the South East)⁷.

Our recent Census of the Creative Media Industries⁸ - which has triggered action on diversity within the film and TV industries – shows that 5.4% of those working in these industries are BAME (particularly in TV there was a significant decrease from 9% in 2009 to 7.5% in our current 2012 Census), 36% are women and 1% disabled. Skills and talent development have been identified as one of the ways to make the industries inclusive and

⁴ *The British film and television industries-decline or opportunity?*, House of Lords Communications Committee, January 2010 <http://www.publications.parliament.uk/pa/ld200910/ldselect/ldcomuni/37/3702.htm>

⁵ *Make or Break: The UK's Digital Future*, House of Lords Select Committee on Digital Skills, February 2015: <http://www.publications.parliament.uk/pa/ld201415/ldselect/lddigital/111/111.pdf>

⁶ UK Commission for Employment and Skills Employer Skills Survey 2013

⁷ Creative Skillset Employment Census of the Creative Media Industries (2012) available on www.creativeskillset.org

⁸ ditto

accessible to people from all backgrounds (including, socio-economic) and to address underrepresentation and barriers for progression of certain groups in some areas of the industry. Diversity is therefore a common thread of skills strategies for creative media.

Currently, the future projections listed in this consultation document do not take the talent and skills impact into account. We think this is a serious oversight. When the HM Treasury was considering the extension of tax breaks to other creative sectors, one of the areas of consultation and subsequent action was how the benefits of the tax breaks which the companies enjoy could be utilised to invest in a sustainable future industrial skills base.

The recent Culture Media and Sport Select Committee's inquiry into the Future of the BBC considered BBC's responsibilities towards the development of its workforce and the wider creative industries (which are set within its current Framework Agreement); Creative Skillset submitted evidence alongside other organisations. The Committee has recently published their report and on reviewing the current BBC public purposes (and Ofcom considers the BBC as the 'cornerstone' of PSB) thought that training should be added as a new public purpose:

*"Given the BBC's vital contribution to training and development of talent and skills in the UK's creative media industries and in journalism, we believe this function should be reflected in the BBC's core public purposes."*⁹

We were genuinely surprised that the Ofcom consultation did not mention training and skills and therefore, strongly advise Ofcom to take into consideration the talent and skills development as part of the market assessment between now and the publication of its report in summer 2015.

We would like to remind Ofcom that some of the PSB providers have express obligations for the development of skills and talent or provision of training in their operating documents (BBC Framework Agreement, Channel 4's Digital Economy Act obligations) and at the various stages of the DCMS consultation paper on Connectivity Content and Consumers, training was identified as a crucial industrial issue.

What does evidence say about the ability of the current workforce to support PSB purposes and characteristics:

Skills gaps (gap in the skillset of people working)

Skills shortages (shortage of people with specific skills)

Content creation now encompasses many forms of delivery through different platforms of distribution. Therefore, people working within the digital and creative industries are already required to converge in both their practice and their professional/business environment (e.g. creating across the print, broadcast and internet, or producing for film, broadcast and web distribution).

⁹Future of the BBC, Commons Select Committee on Culture, Media and Sports:
<http://www.parliament.uk/business/committees/committees-a-z/commons-select/culture-media-and-sport-committee/news/report-future-of-bbc/>

In **TV** the following assessment quotes data from two of our research reports – 2014 Workforce Survey¹⁰ and our comprehensive TV Employers survey¹¹ which surveyed 121 companies and covered all the different genres.

- **77%** of the companies surveyed reported hard-to-fill vacancies – these skills shortages appear in the context of tightening budgets combined with increased levels of production and against a backdrop of rapid technological change.
- **54%** of the companies operating outside London reported that shortages are worse in the Nations and other regions of the UK than in the capital. Where work is occasional, crews are effectively being brought in from other areas.
- **77%** of the companies reported a gap in the skills of their workforce. Two strong related themes that emerged are also relevant to the PSB discussions: the need to understand the demands of making content in a multi-platform environment, and the need for multi-skilling in an increasingly digitised world.
- **49%** cited craft and technical skills development needs.

Production of content in general is high, particularly in the last year, as the **tax credits** have boosted both inward investment and domestic production in Film and TV. In 2014 Film generated a total UK spend of £1.471bn, a 35% increase on 2013. Since the introduction of the UK high-end TV tax credit in 2013, this TV sector has brought £911m to the UK economy, with inward investment alone bring in £287m in 2014. Beyond the success, there are concerns around capacity to meet demand with a highly skilled production workforce. As well as shortages of studio space, the human capital is overstretched.

In our TV employers' survey¹² 22 out of the 24 companies involved in high-end TV production said: "they had experienced difficulties in crewing for their latest production. A wide range of problem areas was highlighted across all areas of production, but the most acute problems were in senior level roles associated with producing and production. The main reason cited for these shortages was an increase in production levels due to the introduction of tax credits (including competition from overseas productions filming in the UK to take advantage of them)". The majority of companies (17 out of 24) said "shortages were worse outside London. The main reason given for this was, as reported in other genres, the lack of a critical mass of sustained work to sustain a permanent hub of many nations and regions".

Industries in scope to the tax breaks variously share similar skills bases and recruit from the same talent pool. There is already a need to create a more flexibly skilled workforce that can move between sectors as demand requires, ensuring production of UK originated content remains of high standard. If practitioners are also not trained to the very highest levels, standards will not be maintained and as a result mistakes will be made and profit margins

¹⁰ Due to be published in April 2015

¹¹ *The Full Picture: The demand for skills in the UK TV production*, Creative Skillset due to be published later in March 2015. The report also goes into details on the different TV genres and sub-sectors, however, as more relevant, we have included in this response specific information from news and current affairs and high-end TV. We have attached an advance PDF copy with this consultation.

¹² ditto

will be eroded. Only well-trained practitioners maximise efficiency and optimise tight budgets.

As the Ofcom consultation concludes, audiences value UK originated content. Creative Skillset would like Ofcom to take into account the fact that growth across the tax credit sectors (which includes PSBs) is projected to continue, and the demand for a higher volume of skills will increase. HM Treasury is also introducing a new tax credit for Children's TV which will create additional demand for specialist skills. Because of growing skills shortages and gaps these productions command higher rates of pay and as a result of that and an overstretched skills base. This creates a ripple effect back into other parts of TV production, e.g. soaps and lower budget drama.

In **Radio** (information from 2014 Workforce Survey and consultation with Radio industry panels), craft and technical skills were also cited as a major skills need (48%) - development of craft and technical skills for digital, online and mobile content and distribution, including data wrangling and sound and broadcast engineering. There was a lot of interest in developing video skills and understanding social media platforms.

34% in radio also reported a skill need in using software packages; new software is introduced all the time across the industry and it is a particular challenge for freelancers to keep up with this.

The production of **news and current affairs** is an area that was also singled out for attention in terms of skills needs across the broadcast industries. There also considerable differences between the experiences of the news providers in the broadcast sector and the independent production companies. In terms of the latter, the main overall concern was the difficulty in finding experienced producer-directors willing to work in current affairs – a problem even in London but more pronounced elsewhere in the UK. Understanding the use of social media, and the need to multi-skilling in an increasingly digitised world are some of the key concerns cited by the media employers.

The ongoing challenges faced by the regional press has also meant that there are less entry routes into journalism and gaining experience across the UK, while local TV is still trying to find its audience and looking into viable business models. Moreover, maintaining PSB standards for news gathering and reporting and current affairs will remain a challenge if there is not enough skills support, particularly in the Nations and the regions outside of the capital.

Assessment of PSB contributions to skills and talent development:

The BBC:

Because of formal arrangements for reporting on BBC's training activities currently included in the BBC's Framework Agreement, we were able to track BBC's investment and activity within the BBC Executive's reports to the BBC Trust and made the following observations to the Culture Media and Sports Select Committee's Inquiry on the Future of the BBC:

The BBC Putting Quality First Strategy Review (2010) made a very clear connection between obligations to training and its public purposes and continued to recognise the connection with its public obligations in their 2010 and 2011 reporting on Training to the BBC

Trust. They focused BBC Academy (set up in 2009) on delivering skills in five key areas that “underpin the BBC’s strategic agenda, which in turn support the BBC’ Public Purposes”: Standards; Creativity; Digital; Multi-skilling; Leadership. More importantly, the BBC recognises that “we can no longer treat these priorities in isolation”. They recognise that meeting the BBC’s Network Production targets (for the Nations and Out-of-London too), depends on developing a sustainable creative sector to “produce highly trained talent pools around the UK”. This is not just about investment in production but also investing more in the workforce and skills base of the UK Nations and English regions and building sustainable companies. As the BBC puts it: “this means that achieving Network Production targets is reliant on our ability to help train the wider broadcasting sector across the whole of the UK”.¹³

However, BBC investment in training has been declining: after an increase following the new Agreement from £43m in 2007/08 to £44.5m in 2008/09, the trend has been downward from then on; as a result of Delivering Quality First (DQF) a 35% cut was imposed to the activities of the Academy¹⁴ over three years; Academy core BBC license fee funding was £17.3m for 2013/2014 (added to by the investment they made in selling training internationally. This has now ended). This meant that the Academy had to cease highly valued training schemes even if there were in areas of skill needs identified by the industry; the training schemes were reskilling professionals who are already part of the industry’s workforce and the gaps created will not be solved with new Apprentices. We are of the view that these cuts and continued reduced investment will jeopardise the ability of the BBC to fulfil its commitment to its audience, its staff and the wider industry. As we mentioned above, high quality content production is supported by high quality trained and skilled professionals and talent. *[Our full response to the CMS committee is included in Appendix 2 of this response].*

Channel 4¹⁵:

Channel 4’s PSB performance is related to the current PSB consultation document. As a publisher-broadcaster, Channel 4 identifies itself as a major investor in the UK’s creative economy, working with around 300 creative companies from across the UK every year and investing significantly in training and talent development throughout the industry.

Channel 4’s (C4C) remit was updated by the 2010 Digital Economy Act, which, in addition requires Channel 4 to participate in a broader range of activities, including to support the development of people with creative talent, in particular people involved in the film industry and at the start of their careers.

We recognised and welcome Channel 4’s commitment and delivery on training and skills, as reported within this consultation document and in more detail in Annex 3 of Ofcom’s Review: Evidence Assessing C4C’s delivery of its media content duties (2010 – 2013)¹⁶.

¹³ **BBC Training:** Observations on the Current Operation and Effectiveness of the BBC’s Arrangements for the Training and Retraining of BBC Staff, BBC Trust, June 2010

¹⁴ These cuts do not include the reduction in the BBC grant to NFTS which went from £450m to £250m during this time. It also excludes the College of Leadership, as it operates outside the BBC Academy.

¹⁵ <http://www.channel4.com/info/corporate/about/channel-4s-remit>

¹⁶ Ofcom December 2014: http://stakeholders.ofcom.org.uk/binaries/consultations/c4-media-content/annexes/Channel_4_DEA_Review_annex3.pdf

Other PSBs and the independent production sector

We have no formal way of tracking investment and activity in the other PSBs. PACT have undertaken a review of their members' training investment and, although the report is yet to be published, we understand that £40m is the amount they have identified. We also assume that this includes investment from companies to the Independent Training Fund – an independent charity set up to provide support for companies and freelancers.

However, the evidence points to important skills shortages and gaps – as we mention above in this consultation – and this is the key measure. So current efforts, level of investment and actions are not enough to ensure the level of talent and skills that can support a globally beating industry, which has PSB at its cornerstone. More action is needed in order to maintain this and ensure its future.

PSB options and contribution to talent and skills development within their companies, their supply chain and the wider ecosystem.

We do believe that a responsibility to address and invest in skills and talent development within their company, in partnership with their supply chain **and across the industry** is and should be a key component of PSB status and any other form of public support, such as tax breaks. We believe that PSB responsibilities should include a clear commitment and obligation towards the whole industry and the freelancers who work in it and to maintain and invest in Creative Skillset as the mechanism to support their collaboration. Moreover, investment in skills by PSBs becomes even more important when considering developing a highly-skilled human capital across the Nations and Regions. This is particularly important to the BBC and Channel 4 as they have targets to meet.

We would recommend, however, that the training commitments will be in relation and proportionate to the PSB benefits and obligations and arranged accordingly with each future PSB provider.

With the BBC and Channel 4 we propose that they remain formalised, accountable and effectively monitored and evaluated.

As the consultation document describes, the independent TV production sector has changed significantly over the years and more consolidation and future opportunities will result in more change. Following Ofcom's assessment, we agree that there are currently two categories. The 'super-indies' who are now attached to global media and broadcasting corporations, who operate outside the UK's PSB system, and the smaller TV independent UK-owned companies who are carving a piece of the commissioning market with innovative and more distinct programming ideas. Both types of companies are part of a highly competitive commissioning global market and delivering PSB output is part of their business plans.

Both are demanding highly skilled workforces, mainly relying on freelancers and are seeking new talent. We believe that they are examples of good practice emerging in the sector. But if the market is to be opened even more with procurement of programme supply from their companies, then we believe the time has now come to ensure that all broadcasters in partnership with PACT and the independent production companies agree standards and expectations around what they expect companies that they commission to deliver. We

believe that this should form part of the Terms of Trade discussions. For example, expecting the companies they commission not to break the National Minimum Wage laws (with unpaid interns and trainees), or, another example, to jointly invest in their own company development (for larger Independent Companies) and industry-wide mechanisms (for both groups), so that both invest in and access support for their business growth.

Conclusion:

As talent and skills are important for both business growth and the delivery of the PSB purposes, we ask that they are part of any future PSB model considerations. Although further discussions are needed to determine the extent and formula of how talent and skills development will relate to new PSB obligations and responsibilities, we strongly believe that their inclusion is essential and follows the media market developments. The risks of ignoring the impact that under-investment in skills could do to undermining the quality, availability and potential growth of the future PSB system is too crucial to ignore. We are happy to advise Ofcom in the next phase, if that is helpful.

Appendix 1

Please see attached the ***The Full Picture: The demand for skills in the UK TV production***.

The report presents the results of a widespread consultation with leaders representing 121 companies throughout all genres of the TV industry, carried out by Creative Skillset. It will become publicly available on 12th March 2015. [Attached with response consultation email in PDF format].

Appendix 2

Response from Creative Skillset to the FUTURE OF THE BBC inquiry by the Culture, Media and Sports Select Committee, December 2013.

1. Background to Creative Skillset and its relationship with the BBC

1.1 Creative Skillset is owned and led by the industry and this is reflected in its governance structure which includes CEOs and senior executives from key companies across the industry, including the BBC - see Appendix 1 for a list of our Board, Patrons and chairs of our main industry skills committees (also available on: www.creativeskillset.org).

1.2 Creative Skillset empowers the Creative Industries to develop skills and talent; we do this by influencing and shaping policy and by securing the vital investment for individuals to become the best in their field and for businesses to grow. As the industry skills body for the Creative Industries, we work across film, television, radio, animation, visual effects, games, fashion, textiles, advertising, marketing communications and publishing.

1.3 Creative Skillset leads and chairs the Creative Industries Council Skills Group. The Creative Industries Council (CIC) is a forum for industries and Government to engage in a

joined up way to boosting the growth and competitiveness of the creative industries. The CIC has identified talent and skills as one of the key areas where there are barriers to growth facing the sector.

1.4 Creative Skillset has had a long and positive partnership with the BBC which involves the corporation at different levels: governance, research and consultation on training solutions, training funds, qualifications, accreditation of courses, industry clusters across the UK. A summary of the main areas of this partnership is outlined in Appendix 2, with some recent examples of our joined work. The BBC contributes financially to the core budget of Creative Skillset, and to the TV Freelance Training Fund. It also invests directly in the workforce engaged by the corporation through the BBC Academy, its training division, and co-invests by offering Apprenticeships. Both Creative Skillset and the BBC are part of the Creative Industries Council and BBC Academy is part of the CIC Skills group, as well as its sub-groups.

1.5 Creative Skillset's partnership with the BBC is formally described in a Memorandum of Understanding (MoU) which was signed in June 2007, following the new terms of the BBC Charter and Framework Agreement. The BBC/Creative Skillset MoU has had a positive impact in driving forward the partnership and Creative Skillset recognises the excellent work and efforts by the current director of BBC Academy (established in 2009) to fulfil the BBC obligations and to develop the partnership.

2. Context and key points for the BBC and government to consider.

Charter and Framework Agreement

2.1 In the process of the 2007 Charter Renewal, DCMS had a wide and open consultation with the industry; one clear message that emerged was the fact that the ability to produce high quality, innovative UK-originated content relies heavily on the ability of the people working in the UK creative media industries to have the talent, skills and capacity to deliver it. This meant that in order for the BBC to fulfil its commitment to quality content that delivers the best service to its audiences it needed to make a commitment to supporting the skills and talent development of its people and of the wider industry, especially as the BBC was now increasing its commissioning of content output through third parties. The DCMS 2005 Green Paper on the Review of the BBC's Royal Charter concluded that the BBC "plays a crucial role in training the industry and developing new technology and those functions should be sustained"; and continued (paragraph 7.3, page 83):

"The BBC should continue to provide training on a significant scale. Its training function should not be seen only as a by-product of its role as a large employer. In preparing and maintaining a highly-skilled media workforce, the BBC's training programmes make a significant contribution to its public purpose of stimulating creativity. We also welcome the contribution the BBC makes to the development of training across the industry more widely – in particular through Skillset, the sector skills council for the audiovisual industries."¹⁷

The Green paper also quotes from the Neil Report on how to strengthen BBC Journalism: "as the largest employer of journalists in the UK, the BBC has an

¹⁷ **Review of BBC's Royal Charter:** A Strong BBC, independent of government, DCMS, March 2005

obligation to take the lead in strengthening training in craft skills and promoting debate about journalistic standards and ethics in broadcasting”.¹⁸

2.2 From the BBC’s current Public Purposes listed in its Charter the following three are most relevant to this Agenda:

- (a) sustaining citizenship and civil society - (incl. “the need to promote media literacy”)**
- (b) promoting education and learning;**
- (c) stimulating creativity and cultural excellence;**
- (d) representing the UK, its nations, regions and communities;**

2.3 The BBC Framework Agreement¹⁹ (with new additions to reflect BBC’s wider industry role) stipulates:

“84. Training

(1) The Executive Board must make arrangements for the training and retraining of BBC staff engaged in connection with providing any of the UK Public Services or making programmes for inclusion in any of those services.

(2) The training and retraining provided under the arrangements must make an effective contribution to—

(a) the promotion of the BBC’s Public Purposes, and in particular that of stimulating creativity and cultural excellence;

(b) the preparation and maintenance of a highly-skilled media workforce across the audiovisual industry; and

(c) competitiveness and productivity in that industry.

(3) The Executive Board shall use its best endeavours to work in partnership with others in the audiovisual industry in the planning and provision of training and retraining across that industry.”

2.4 The Agreement²⁰ also makes arrangements for reporting on these activities to the BBC Trust:

“85. General provisions about arrangements made under clauses 83 [Equal Opportunities] and 84 [Training]

(1) The Executive Board must—

(a) take appropriate steps to make those affected by arrangements made under clauses 83 and 84 aware of them;

(b) review those arrangements; and

(c) (at least once each year) make a report to the Trust on the current operation and effectiveness of the arrangements.

(2) After the Trust has received such a report from the Executive Board, it must publish its observations on the current operation and effectiveness of the arrangements.”

2.5 The Executive Board reports to the Trust annually on the provisions of all the above sections. The Trust then presents a commentary that sets out the Trust’s observations on the Executive’s arrangements over the BBC’s financial year. Our observation on the BBC report to the Trust is that it does not link to analysis of the level of skill gaps, shortages and

¹⁸ ibid

¹⁹ See: www.bbc.co.uk/bbctrust/governance/regulatory_framework/charter_agreement.html

²⁰ **BBC Framework Agreement**, clause 85: “General provisions about arrangements made under clauses 83 and 84

needs that the BBC has for its own staff and freelancers – or for the needs of the broader industry, although there is good work delivered. The Trust’s reporting is on the “current operation and effectiveness of the arrangements for the training and retraining of BBC staff”. This covers the Trust’s monitoring responsibilities on the operational arrangements, but it is not monitoring how they meet the BBC’s strategic needs or the impact to the wider industry; it is remarkable that since 2007 there has been no direct consultation by the Trust with the wider industry to monitor, test and scrutinise BBC’s contribution to building the skills and talent capital for the industry. The Trust’s seems to interpret “those affected by arrangements” of clause 85, 1a, as the BBC staff only.

2.6 The BBC Putting Quality First Strategy Review (2010) made a very clear connection between obligations to training and its public purposes:

“Working for the BBC from now on will mean constant new opportunities but also constant change. The BBC can and must offer everyone who works for it the best training and career development in world broadcasting, and an unrivalled creative space in which to do their best work. At a time when others in the industry are being forced to curtail their investment in training, the BBC should maintain its financial commitment here at £45m per year and share the fruits of that investment with the wider industry: training staff who may go on to work elsewhere, and providing face-to-face training direct to freelancers and industry organisations. Working with the rest of the industry to provide training is a key partnership role for the BBC, and part of its mission to act as a catalyst within public space.”²¹

2.7 BBC continued to recognise the connection with its public obligations in their 2010 and 2011 reporting on Training to the BBC Trust. They focused BBC Academy (set up in 2009) on delivering skills in five key areas that “underpin the BBC’s strategic agenda, which in turn support the BBC’ Public Purposes”: Standards; Creativity; Digital; Multi-skilling; Leadership. More importantly, the BBC recognises that “we can no longer treat these priorities in isolation”. They recognise that meeting the BBC’s Network Production targets (for the Nations and Out-of-London too), depends on developing a sustainable creative sector to “produce highly trained talent pools around the UK”. This is not just about investment in production but also in the human capital that will develop and create content of the highest quality in these areas. It is about investing more in the workforce and skills base of the UK Nations and English regions and building sustainable companies. As the BBC puts it: “this means that achieving Network Production targets is reliant on our ability to help train the wider broadcasting sector across the whole of the UK”.²²

2.8 Diversity in the industry is an area that the BBC acknowledges the need to act in partnership with the rest of the industry. Director of Television Danny Cohen’s article in Broadcast and the discussion from the industry panels during the recent Diversify event at BAFTA on 21st November 2013 point to a realisation that more should be done and training can play a key role.²³ The BBC also has obligations in the Framework Agreement at section 83²⁴ on promoting Equal Opportunities.

²¹ **Putting Quality First**, BBC Strategy Review, BBC’s Proposals to the BBC Trust, March 2010.

²² **BBC Training**: Observations on the Current Operation and Effectiveness of the BBC’s Arrangements for the Training and Retraining of BBC Staff, BBC Trust, June 2010

²³ See **Broadcast** articles on Diversify:

<http://www.broadcastnow.co.uk/SPIN2.aspx?navCode=5293>

²⁴ **Framework Agreement**, Section 83, Equal Opportunities, p. 46)

2.9 Training is also referenced in the three reports since 2007 on the economic impact of the BBC (by Deloitte in 2010 and by the BBC in 2011 and 2013); Deloitte's report in particular calculated the additional value of the BBC's training contribution: "the economic impact of the BBC in 2008/09 estimated that the value of BBC training offered to other media organisations benefitted the creative industries by £59m each year through improved productivity²⁵.

2.10 The new Director General of the BBC recently described his vision and strategy for the corporation. We were very pleased to hear his commitments and assertions on training and skills development, and in particular we are delighted to hear about the BBC's commitment to increase its intake of Apprentices. We hope that the evidence that we submit will be helpful to the BBC in framing their thinking going forward about all parts of the agenda and skills and training needed to support strategic needs. The work that they do in the area of training and skills is exemplary and one of their most significant contributions to the UK creative industries as a public service broadcaster.

Skills issues in the wider industries

2.11 The Creative Industries Council has recognised that the talent and skills of the people working in the UK Creative Industries is integral to the success and competitiveness of the sector. This Committee has also heard evidence in its recent inquiry on the *Supporting the Creative Economy*²⁶ the range of skills needed in order to create high quality content as well as maintaining the competitive advantage of the UK creative media businesses and concluded that, while a lot of good work is underway, there is no room for complacency.

2.12 Creative Skillset has an over-arching research programme²⁷ which involves census and workforce surveys, and employer panels whose contributions are regularly surveyed and analysed to conclude on current and future skills gaps, needs and issues. Access to training is harder for freelancers and the creative media sector has a high proportion of freelancing, which is more prevalent in those areas most closely involved in the production process. In particular in TV, for example, there are a lot of SMEs in the independent production which employs the most people followed by terrestrial TV and cable and satellite. The SMEs are the ones that need more support and mentoring in developing their business and their staff - only 33% of TV employers have a learning and development plan in place.

2.13 Diversity remains a priority for the creative media industries since content needs to reflect the more disaggregated and global marketplace. However, with just 5.4% from a BAME background, 36% women and 1% disabled the industries are well below the national employment averages.

2.14 Linked to diversity, fair access to the creative industries is also key with around two fifths of the workforce being forced to work unpaid in order to get into the industry and many securing recruitment through informal channels. For example, around two fifths (38%) of the TV workforce have undertaken unpaid work within the Creative Media Industries (excluding an occasional charitable contribution).

²⁵ **BBC Training:** Observations on the Current Operation and Effectiveness of the BBC's Arrangements for the Training and Retraining of BBC Staff, BBC Trust, June 2010

²⁶ <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcomeds/674/67402.htm>

²⁷ <http://www.creativeskillset.org/research/>

2.15 Across the creative media, employers have identified the following areas as important for the future of the industry:

- The fusion of creativity with entrepreneurialism and technological know-how
- Increasing the strength and depth of the skills and talent base outside of London.
- Understanding of intellectual property legislation to protect from piracy, and exploiting intellectual property internationally to take full advantage of emerging markets
- the creative and technical skills required to produce content for distribution across all potential platforms, and the ability to understand and exploit technological advances.

2.15 These skills issues and shortages have an impact on the industries' competitiveness. The recent extension of tax reliefs from Film to high-end TV, animation, games and VFX (which the BBC is benefiting from) has come with the realisation that the opening of such opportunities for inward investment needs to coincide with co-investment in skills and talent development. The HM Treasury Consultation on the tax reliefs asked the industry also to consider "how the benefits from the tax reliefs can be utilised to invest in UK skills and talent development"; this was because "the Government believes that investment in UK skills and talent development is a critical element to sustaining UK production." In our submission to the HM Treasury consultation we provided evidence of significant concerns that, "in specific areas of these sectors, the size and strength of the existing skills and talent base is insufficient to cope with the significant amount of additional production activity which is likely to be incentivised by the tax reliefs. Alongside that, there is a risk that there would not be a sufficient supply of skilled people to service the additional activity, thereby leading to productions migrating elsewhere and undermining the core drivers of the tax reliefs"²⁸.

2.16 The Government recognised these concerns and made provisions in the current Budget for additional support for skills for these sectors, on the basis that it is matched by the industry. This call for industry match is part of a wider call for the industries to consider seriously their skills challenges and co-invest, particularly for the larger companies who have a supply chain of SMEs (mainly small companies) and employ freelancers.

2.17 In addition, some examples from our latest survey on specialised craft and technology-related skills that each sector needs (in areas related to the BBC):

- ❖ **Film & TV – skills for series producers & production management; skills for art department, script editors & script writers**, script supervisors; craft skills in: camera, make-up in HD, CGI; work-ready trainee/assistant roles.
- ❖ **Animation** - visual storyboarding; production management, trainee/assistant roles, compositing artist, CGI Animators, rigging.
- ❖ **Radio:** production & journalism/presenting skills; on-line/web design/ digital media; editing and using specific software.
- ❖ **VFX technical and managerial skills;** production methodology: planning, workflow design; software development methodologies.

2.18 In the light of the needs of the industry, we would like the Committee to note that BBC investment in training has been declining: after an increase following the new Agreement from £43m in 2007/08 to £44.5m in 2008/09, the trend has been downward from then on; as

²⁸ See: http://www.creativeskillset.org/creativeskillset/press/press2012/article_8992_1.asp

a result of Delivering Quality First (DQF) a 35% cut was imposed to the activities of the Academy²⁹ over three years – even though there is an intrinsic link between delivering quality programmes for the listener/viewer and investing in the training and development of the people that made it; their current core BBC funding is that of £17.3m for 2013/2014. The BBC report on Training to the BBC Trust (2012/13) in July of this year reported³⁰:

“Following last year’s report, the key challenge set by the BBC Trust was for the Academy to continue to support the BBC as it implements its DQF proposals; at the same time as delivering our own 35% efficiency savings. We were encouraged to meet our commercial targets, despite the tough economic climate, and tasked with continuing to deliver an impressive range of training both for BBC staff and for those in the wider industry.

2012/13 has seen us meet these challenges at the same time as delivering our budget cuts and absorbing a 45% reduction in London based training accommodation due to the closure of White City. This has required us to deliver transformational levels of productivity improvements and innovation. It has also seen the cessation or suspension of highly regarded trainee programmes such as the **Writers’ Academy**, the **Design Trainee Scheme** and the **Series Producer Scheme**. We have also reduced the BBC’s annual grant to Creative Skillset by 25% and no longer pay an annual grant of £450k to the National Film and Television School.”

2.19 We would like to draw the Committee’s attention that the highly valued training schemes that ended, as described in paragraph 2.18, are in areas of skill needs identified by the industry in paragraph 2.17; the training schemes were reskilling professionals who are already part of the industry’s workforce and the gaps created will not be solved with new Apprentices.

2.20 On one level this has been the result of a decision on how to spend limited resources (License Fee settlement) and efficiency savings for the BBC; however, the BBC Academy sits within BBC’s HR department, and the 35% cut received, we understand, was one of the higher cuts made across the HR department. We note the BBC Trust’s observation to this report: “We will be looking to ensure that the reduction in the number of courses and trainee programmes will not impact on the range or quality of training on offer in the longer term, nor on the development of the next generation of talent.”³¹ It is already evident that this cut impacts on frontline training investment not just to the BBC staff, but also to the freelancers that BBC Academy trains and the third-party investment that it delivers the BBC’s obligations on training to the wider industry.

2.21 We are of the view that this cut and continued reduced investment will jeopardise the ability of the BBC to fulfil its commitment to its audience, its staff and the wider industry. As we mentioned above, high quality content production is supported by high quality trained and skilled professionals and talent. However, the BBC continues to include its contribution to training as ‘overhead costs’, as part of the HR budget line, rather than costs directly linked

²⁹ These cuts do not include the reduction in the BBC grant to NFTS which went from £450m to £250m during this time. It also excludes the College of Leadership, as it operates outside the BBC Academy.

³⁰ http://www.bbc.co.uk/bbctrust/our_work/strategy/annualreport/2012_13.html

³¹ *ibid*

with the fulfilment of its public purposes and the production of its content output. We would like the Committee to consider whether this is indeed the best way to cost and budget for the BBC's training obligations.

Connectivity, Content and Consumers

2.22 The recent DCMS' **Connectivity Content and Consumers** policy paper³² wants to maintain the Public Service Broadcasting model with a selection of Obligations and Privileges. The current list of Obligations and Privileges includes:

*"i) **Obligations:** for example, the quality, accessibility and variety of PSB programming – from news to current affairs; and how it is made – for example what proportion is made in different regions and how much is produced by independent companies; and the requirement to "offer" its content to UK TV networks.*

*ii) **Privileges:** for example, funding from the licence fee, access to spectrum, a high level of prominence on electronic programme guides: the TV channel listing services that signpost people to what's on; and the obligation on UK TV networks to "carry" PSB content." (CCC, p.25)*

2.23 Although DCMS agrees in the CCC policy paper that *"a skilled workforce is crucial to the quality of our productions"* (p.27), investment developing and maintaining a skilled creative media workforce is not part of their obligations. The policy paper references under the heading 'wider investment in content' the Government action and public investment in training, which includes the HM Treasury matching co-investment, but there is no reference on the industries' responsibilities and obligations to take action and invest in this too. We think that this is a vital omission.

2.24 As we have said previously, the ability to produce UK-originated content relies heavily on the ability of the people working in the UK creative media industries to have the talent, skills and capacity to deliver it. We have to build the human resource and infrastructure that will drive growth and innovation in the creative sectors, create original and high-quality content and engage with the technological changes and the changes in the production/distribution landscape. Therefore, we believe that expectations to support training and skills development (for employees and the wider industries) should become obligations for Public Service Broadcasters.

3. Committee questions

- **What should the BBC be for and what should be the purpose of public service broadcasting?**

3.1. We answer this question in relation to the BBC's current Public Purposes on promoting media literacy, education and learning, stimulating creativity and cultural excellence and representing the UK, its nations, regions and communities.

3.2 The BBC should provide opportunities for people to create content that is representative of all the UK communities and can entertain, educate and inspire. This type of content can only be produced by people who are skilled and have their talent, professional abilities and

³² **Connectivity, Content and Consumers: Britain's digital platform for growth**, DCMS July 2013

business acumen nurtured. The BBC should continue to be involved at every level of the education and skills system so this can be achieved.

3.3 The development of talent and skills for the creative media industries should become one of the new Public Purposes of the BBC in its future Charter and Framework Agreement. This purpose should come with the expectation that the BBC will continue to work in partnership with industry-wide organisations.

3.4 The BBC also sets an example (and a trend) for all Public Service Broadcasters and content developers to follow. We will expect that the BBC in its future form will continue to be the model of a creative employer that invests in and supports the people it engages (employees, freelancers, talent and craft professionals, managers and executives) as well as the people of the sector that it serves.

3.5 There are still areas where the industry suffers from skills gaps and there are issues of fair access and mobility in these industries for people from diverse backgrounds. As the single biggest employer in the creative media and in receipt of the License Fee, the BBC has a role to play in addressing talent development and key skills issues for the creative economy and also be accountable for its contribution.

- **How well has the BBC performed in the current Charter period in achieving its mission and public purposes?**

3.6 As above, we answer this on specific public purposes: we think that the BBC has made a big and positive impact and contribution to these purposes. However, as seen from the evidence of the BBC's reporting on its training obligations, the reduction of investment in training has seen its training budget almost halved in the last three years; this will need to be addressed by the corporation and the BBC Trust, as it affects frontline delivery of key industry skill needs and could impact on the ability to produce quality content. In our view, the BBC does not calibrate investment towards the analysis of need.

3.7 We would expect that the BBC Trust will fulfill its obligation on monitoring BBC Training output to consider the industry-wide impact, as it is stated in the Framework Agreement. We would like to remind the Trust that they should consult industry-wide stakeholders beyond the BBC staff on the BBC Governance decisions on Training, as they are also ones to be affected.

3.8 The industry will welcome consistency of how the BBC's vision will be supported by its resource and investment in the future; how the BBC will continue its role in the efforts to build sustainable industry out-of-London and across the UK Nations, as well as be a key player in addressing issues of fair access, equality of opportunity and representation of the industry-wide workforce.

- **Are the public purposes in the current Charter the right ones? How might they change?**

3.9 We would like to add one Public Purpose for the next phase in the life of the BBC: the development of talent and skills for the creative media industries. As a distinct Public Purpose, it will have a higher prominence in the future Charter and Framework Agreement. This purpose should come with the expectation that the BBC will continue to work in partnership with industry-wide organisations.

- **What scope, scale and remit should the BBC have? Should the BBC's output and services be provided to any greater or lesser degree for particular audiences? What balance should be struck in what the BBC produces in-house, commissions externally and leaves entirely to others to create?**

3.9 Our remit relates only to skills and talent and we can only comment on these issues and from that perspective. As we mentioned before, we would like to point the importance for the BBC to maintain investment and interest in the industry-wide training, as a responsible producer and commissioner. The BBC uses freelancers and its output includes programmes made by the independent sector, therefore it can benefit from the industry-wide skills and talent pool, as well as promote high-quality standards of output.

- **What role should the BBC play in developing technology and new ways of distributing content?**

3.10 We believe that the whole industry should invest in innovation and innovative new technologies. There is a strong business case for that, as the industries themselves are fast changing due to developing technologies. Innovation also comes with the need for new skillsets, therefore investment in technology should also consider investment in industry-wide training and new pathways. In our opinion the BBC should play their part in this.