



Public service broadcasting: the BBC's performance measurement framework

NAO review presented to the BBC Governors' Audit Committee,
May 2005, by the Comptroller and Auditor General, and a response
to the review from the BBC

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BBC response to the National Audit Office Value for Money study

In *Building public value* the BBC committed itself to introducing a new system of performance monitoring based on objectivity, rigour and transparency. The objective was to strengthen the Board of Governors' ability, on behalf of licence fee payers, to ensure that BBC services deliver against their wider public purpose. The performance measurement framework is the first of a number of related initiatives being introduced as part of this commitment.

This external Value for Money review, commissioned by the Governors' Audit Committee, considered public service broadcasting in terms of the BBC's performance measurement framework. It was undertaken by the National Audit Office, following the agreement in 2003 between the Government and the BBC to evolve the BBC Governors' overview of value for money into a programme of reviews. This review focused on the key drivers of public value – reach, quality, impact and value for money.

Governors welcome the independent review's confirmation of the framework as a rigorous and appropriate method to assess the delivery of public value, with the BBC appearing to be at the "forefront of current thinking on the topic". However, we recognise there is further work to be done and endorse BBC management's response to the report's recommendations.

The NAO report highlights evidence of the framework beginning to "influence thinking and decision-making about public service broadcasting within the BBC". This goes to the heart of the framework's purpose, fully aligning the BBC's decision-making with the public interest. Governors believe that the framework provides both a consistent and coherent framework

within which decisions can be made and measures against which the BBC's delivery of public value can be assessed. We support the NAO's recommendation that performance reports should be tailored to the needs of different audiences. Governors will work with management both to facilitate assessment of key performance indicators and, as custodians of the public interest in the BBC, to ensure the delivery of public value to licence fee payers.

Governors accept that there is a need to reflect the performance framework in the BBC's overall objectives for public service broadcasting and that the link between performance monitoring and the Corporation's public service broadcasting objectives can be made more explicit. The reformed governance system, as set out in the Green Paper, has implications for the system and structure of performance monitoring, which will in turn influence the ways in which the proposed BBC Trust accounts for the BBC's performance against key measures in the Annual Report and to Parliament. The details of these changes are currently being worked out and Governors will outline their plans in due course.

In summary, the Board of Governors is pleased to note the NAO's conclusion that "The BBC has made good progress in developing the performance measurement framework [with] important building blocks in place..." We have considered and approved the attached response from BBC management.

Board of Governors
June 2005

Public service broadcasting: the BBC's performance measurement framework



BBC management response

The performance measurement framework, introduced in autumn 2004, is evidence-based and designed to provide BBC Governors and management, licence fee payers and other stakeholders with assurance that BBC services are delivering public value.

The key focus of the framework reviewed by the NAO is on the four drivers of public value – reach, quality, impact and value for money. The NAO has recognised that these drivers share much common ground with the characteristics of public service broadcasting set out by Ofcom in its review of public service broadcasting.

Response to the report's key findings

The NAO has acknowledged within its report the BBC's achievements to date in introducing the framework. In particular it notes that the new performance measurement framework arrangements have the potential to work for the BBC on two levels. In the broadest terms, the drivers of reach, quality, impact and value for money give the BBC a common framework and language for thinking about public service broadcasting. At a detailed level, the technical measurement of performance against these four drivers provides an evidence base for decision-making, performance monitoring and accountability.

The study also recognised that the BBC's drivers of public value is consistent with the Government's Green Paper on the review of the BBC's Royal Charter. In addition, the BBC's continuing commitment to developing the framework is reflected through the acknowledgment that the BBC appears to be at the forefront of current thinking on the topic and continues to liaise with other public service broadcasters in Europe and beyond.

The NAO does, however, also note that there is further work required in developing and refining the current system, which the BBC should address over the next 12 months. The BBC therefore welcomes the input of the NAO into the framework at this stage of development and sets out below how these recommendations will be progressed.

Responding to the recommendations and conclusions

Since the review fieldwork between January and March 2005, the BBC has undertaken a number of actions.

- The Quarter 1 2005 performance report has been published, with a more user-friendly opening section (Talking Points) which highlights the key issues for the period.
- Detailed objectives have been set for all divisions in the BBC, with clear targets agreed by the Director-General. Output commissioning divisions have been set, Reach, Quality, Impact and Volume (RQIV) targets (for example, increase reach by X%, improve 'channel best for' scores from X to Y.) Output divisions without commissioning responsibilities have been given relevant quality and value for money targets. These will be monitored via the quarterly reporting process.
- An internal reporting group has been set up to look at more effective ways of reporting financial indicators within the RQIV framework.

The BBC welcomes the NAO's input into the continuing development and refinement of the performance measurement framework. The report draws attention to the following areas where further work could be undertaken by the BBC over the next 12 months.

- *Establish clear definitions of reach, quality, impact and value for money and the supporting performance measures to help achieve consistency across the organisation.*

The BBC accepts this recommendation and aims to integrate the formal divisional targets and supporting measures into the reporting framework over the summer. Once this framework has been produced a performance measurement 'manual' will be produced for users across the organisation, to be implemented by the September 2005 quarterly performance report.

- *Assess the extent to which the performance measurement framework is embedded at all levels of the BBC.*

The BBC recognises that the framework may take some time to become embedded throughout the whole organisation and proposes to conduct regular reviews with the relevant divisions in order to identify any issues and recommend ways of embedding the framework more effectively. These reviews will be carried out at least once a year.

- *Ensure that there is an explicit focus on providing assurance about the accuracy and reliability of the performance measurement framework.*

The BBC is confident that appropriate assurance provisions are in place with its main research suppliers (BARB, RAJAR and TNS). All performance data provided for external publication, for example in the BBC's Annual Report and Accounts, are currently subject to an internal assurance process. However, the BBC recognises the lack of a formal assurance programme across the whole performance reporting process to date. The BBC's internal audit function will undertake an operational review of performance reporting by the end of

2005, when the new system will have been through a full year's reporting cycle. This review is likely to be repeated on an annual basis.

- *Make the performance reports more user-friendly, principally by tailoring the reports to meet the needs of different audiences and by differentiating between priority and less important information.*

Different versions of the reports are already being produced for board level and general staff consumption. We will closely monitor user satisfaction of the reports as part of the ongoing review process. Individual performance targets have been agreed with BBC output divisions for 2005/2006 and these will be highlighted in the September report to draw the distinction between formally agreed targets and other measures.

In addition to the points raised above, two further areas for the BBC to address are highlighted by the NAO. These are addressed in the Governors' response.

- *Reflect reach, quality, impact and value for money in the BBC's overall objectives for public service broadcasting.*
- *Set a timetable for reporting on reach, quality, impact and value for money to Parliament and the public.*

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This report has been prepared under Clause 10B of the amendment to the Agreement between the Secretary of State for Culture, Media and Sport and the BBC, dated 4 December 2003.

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EXECUTIVE SUMMARY



1 This report is about the new performance measurement framework which the BBC began to introduce in Autumn 2004. The framework is a new evidence-based system of performance measurement designed to give BBC Governors and Management, licence fee payers and other stakeholders assurance that BBC services are delivering public value. The framework is part of the arrangements set out in ‘Building Public Value’, which the BBC published in June 2004 to contribute to the debate on the review of its Royal Charter which expires in 2006.

2 At the heart of the performance measurement framework are four key drivers of public value identified by the BBC – **reach, quality, impact** and **value for money**. These drivers share much common ground with the characteristics of public service broadcasting set out by Ofcom¹ in its review of public service television broadcasting. The BBC’s drivers are also consistent with the Government’s recent Green Paper on the Review of the BBC’s Royal Charter. The BBC’s framework is similar to approaches being developed by public service broadcasters overseas and the BBC appears to be at the forefront of current thinking on this topic.

3 The BBC is continuing to develop and refine the framework and to an extent is learning as it goes. So our aim has been to review progress and contribute to the BBC’s thinking on the further work to be done. In doing our work, we were guided by the good practice principles set out in the publication ‘Choosing the right FABRIC – a framework for performance information’², which identifies

the key components of a good performance measurement system (set out in the Appendix to this report). Against this background, we considered:

- the design of the performance measurement framework;
- the data systems supporting the performance measurement framework;
- how performance information is used and reported.

4 Our work was not about the BBC’s editorial and programming judgements or whether BBC services fulfil its public service broadcasting remit, but was about the design and implementation of the new framework. As it is still in its early days, we considered it too soon to conduct a detailed test of how well the BBC matches up to the ‘FABRIC’ guidance. Instead we were concerned with the general direction the BBC is going in with the framework. Our approach to the exercise is outlined in the Appendix.

Our main findings

5 The BBC has made good progress in developing the performance measurement framework. Important building blocks are in place in that the BBC has identified performance measures, data collection is underway, and performance is being reported to Senior Management and the Board of Governors. There is also evidence of the framework beginning to influence thinking and decision making about public service broadcasting within the BBC.

¹ Ofcom (the Office of Communications) was established by the Communications Act 2003 as the independent regulator and competition authority for the United Kingdom communications industries, with responsibilities across television, radio, telecommunications and wireless communications services.

² Choosing the right FABRIC – a framework for performance information (HM Treasury, Cabinet Office, National Audit Office, Audit Commission and Office for National Statistics).

6 On **the design of the performance measurement framework**, the BBC has identified a package of measures which will support its assessment of performance for each of the four drivers of public value – reach, quality, impact and value for money. However, at present there are instances of different BBC divisions using the same measure to assess different drivers – formalising definitions for use across the organisation would help achieve consistency.

7 In designing the performance measurement framework, the BBC has identified a range of quantitative measures, which give it a clear basis for tracking performance over time and benchmarking against other broadcasters. However, many of the measures are necessarily perception-based and, as the BBC recognises, the results in these areas tend to require more interpretation than in others where the data is harder.

8 To get the most out of the performance measurement framework, there should be a direct link between the framework and the BBC's objectives for the delivery of public service broadcasting. The BBC is in the process of agreeing objectives for individual broadcasting divisions in reach, quality, impact and value for money terms but has not linked objectives for the organisation as a whole to the performance measurement framework. The framework is being applied in full in six of the eight BBC broadcasting divisions funded by the licence fee – the two exceptions are divisions which supply programming to the other divisions and have less influence over the performance drivers.

9 On **the data systems supporting the performance measurement framework**, the systems the BBC has in place are generating data for each of the four performance drivers. Some of the systems are longstanding, using well established industry sources such as BARB (the Broadcasters' Audience Research Board); and the BBC has introduced others to improve the quality and timeliness of the data, including a new Internet survey designed to generate richer data on quality and impact. At present the BBC's quality assurance arrangements do not focus explicitly on the performance measurement framework.

10 On **the use and reporting of information generated by the performance measurement framework**, the performance drivers – reach, quality, impact and value for money – are becoming common currency at senior levels in the BBC and work to embed the framework throughout the organisation is continuing. Performance reports are produced and considered quarterly at Board level but there is scope to make them sharper and more user-friendly, and to differentiate between priority information and material that is of secondary importance. The reports are also not tailored to different audiences – at present the Board of Governors and Senior Management Boards receive the same report.

11 As regards external reporting, 'Building Public Value' stated the Governors' intention to use the measures of reach, quality, impact and value for money to set objectives for the BBC and its services each year, and that they would form the basis for the BBC's Annual Report to Parliament and the British public.



OUR CONCLUDING COMMENTS AND RECOMMENDATIONS

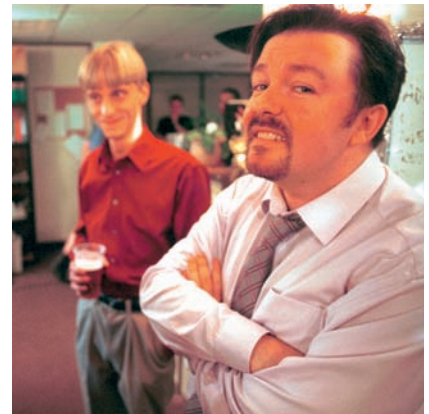
12 The new performance measurement arrangements have the potential to work for the BBC on two levels. In the broadest terms, the drivers of reach, quality, impact and value for money give the BBC a common framework and language for thinking about public service broadcasting. At a detailed level, the technical measurement of performance against these four drivers provides an evidence base for decision making, performance monitoring and accountability.

13 The BBC is continuing to refine the performance measurement framework and the main text of this report identifies a number of areas where there is further work to be done. Over the next 12 months, it will be particularly important for the BBC to:

- reflect reach, quality, impact and value for money in the BBC's overall objectives for public service broadcasting;
- establish clear definitions of reach, quality, impact and value for money and the supporting performance measures to help achieve consistency across the organisation;
- assess the extent to which the performance measurement framework is embedded at all levels of the BBC;
- ensure that there is an explicit focus on providing assurance about the accuracy and reliability of the performance measurement framework;
- make the performance reports more user-friendly, principally by tailoring the reports to meet the needs of different users and by differentiating between priority and less important information;
- set a timetable for reporting on reach, quality, impact and value for money to Parliament and the public.

PART ONE

Introduction to the performance measurement framework



Where does the performance measurement framework sit within the BBC?

1.1 The British Broadcasting Corporation (BBC) is the United Kingdom's main public service broadcaster, receiving licence fee revenue (£2.8 billion in 2003-04) and free access to the spectrum in return for delivering public service broadcasting. **Figure 1** provides information on the BBC's organisational structure.

1.2 Under its Royal Charter, the BBC's objects include "to provide, as public services, sound and television broadcasting services...and to provide sound and television programmes of information, education and entertainment for general reception...". To meet this requirement, across the United Kingdom the BBC currently provides:

- eight television channels – two analogue (BBC One and BBC Two) and six digital (BBC Three, BBC Four, CBBC, CBeebies, BBC News 24 and BBC Parliament);
- ten radio networks – five analogue (BBC Radios 1, 2, 3, 4 and Five Live) and five digital (BBC Five Live Sports Extra, 1Xtra, BBC 6 Music, BBC 7 and BBC Asian Network) – and local and national radio stations;
- new media – the online site, bbc.co.uk, and BBCi, the BBC's interactive services.

In 2003-04 the BBC's total spending on broadcasting (including overheads) was £3.0 billion.

1 The BBC's organisational structure

- The BBC is a public corporation, established in 1927 by a renewable Royal Charter. Many of the BBC's public obligations are set out in an accompanying Agreement with the Secretary of State for Culture, Media and Sport.
- The BBC is overseen by a Board of 12 Governors, appointed by The Queen on advice from Ministers. The Board of Governors is responsible for ensuring that the BBC meets its statutory and other obligations and that it is managed in the public interest by, among other things, approving strategy and policy, setting objectives and monitoring performance. The Board of Governors is supported in its work by the recently established Governance Unit.
- The Board of Governors appoints the BBC's Director-General and the eight other members of the Executive Board, which is responsible for managing the BBC. The Executive Board is supported by three boards covering the BBC's main activities – the Creative Board (also chaired by the Director-General), the Journalism Board and the Commercial Board.
- The BBC's day to day operations are run by 16 divisions – nine broadcasting divisions which manage the BBC networks and their programme commissioning and production; five divisions which provide professional support; and two commercial divisions which sell goods and services around the world.

Source: National Audit Office

1.3 The BBC's current Royal Charter expires on 31 December 2006 and is presently being reviewed by the Department for Culture, Media and Sport. To contribute to the debate on the Charter, in June 2004 the BBC published '**Building Public Value** – renewing the BBC for a digital world', which describes how the BBC adds value to life in the United Kingdom and sets out how it intends to build on this in the future. The document sets out five ways the BBC creates public value, which it terms its public purposes (**Figure 2**). The Government took account of the BBC's views in developing the public purposes for the BBC proposed in the Green Paper on the Review of the BBC's Royal Charter, published in March 2005.

1.4 'Building Public Value' also outlines the BBC's plans for a new system designed to demonstrate its delivery of public value, comprising four components for assessing new services and monitoring existing services (**Figure 3**).

1.5 In addition, under the Communications Act 2003 the BBC along with other public service broadcasters is required to publish a 'Statement of Programme Policy', describing how in the coming year it will fulfil its public service remit and reporting performance against the previous year's proposals. The Statements set out minimum requirements for programming in areas such as news and current affairs, independent production, regional programming, and access to services for deaf and visually-impaired audiences.

2 The BBC's public purposes – how it creates public value

- Democratic value: supporting informed citizenship
- Cultural and creative value: enriching the creative life of the United Kingdom
- Educational value: extending horizons
- Social value: connecting and uniting communities
- Global value: supporting the United Kingdom's role in the world

Source: 'Building Public Value' (BBC, June 2004)

How do the BBC's drivers of public value link with current thinking on the characteristics of public service broadcasting?

1.6 Under the Communications Act 2003, Ofcom is required to carry out every five years a review of public service broadcasting television. Ofcom carried out the first of these reviews in three phases, culminating in the publication of its final report in February 2005.

1.7 As part of its review, Ofcom defined the characteristics of public service broadcasting. Comparing Ofcom's characteristics with the BBC's drivers of public value on which the performance measurement framework is based indicates that, while expressed differently, they share much common ground although in its definition the BBC has the additional driver of value for money (**Figure 4**). Ofcom told us that it considered the BBC's drivers of public value were very much in line with its own characteristics, reflecting the extensive dialogue between the two bodies. Going forward, it will be important for the BBC to continue to liaise with Ofcom on these matters.

1.8 The BBC's drivers of public service broadcasting are also consistent with the Government's recent Green Paper on the Review of the BBC's Royal Charter, which proposed that the BBC should provide a wide range of content, across every programme genre, trying to reach the greatest possible range of audiences. Programmes should aim to be excellent, distinctive and entertaining – more specifically they should be of high quality, challenging, original, innovative and engaging. As the Charter review process goes forward, it will be important for the BBC to ensure that its performance measurement framework takes account of this wider context.

3 The BBC's proposals for assessing and monitoring public value

Public value test	<p>The public value test will be used to judge the contribution a service would potentially make to the delivery of public value by the BBC. The test will include an independent evaluation of a service's market impact and audience research, and will be applied to all new service proposals and significant changes to existing services.</p> <p>In March 2005 the Board of Governors commissioned Spectrum Strategy Consultants to assess whether the public value test is robust enough to be the main tool used in deciding whether to invest public money in markets in which there may be commercial players.</p>
Service licences	<p>Service licences are to be granted to each BBC channel and service by the Board of Governors. A licence will set out a service's remit, purpose and contribution to public value, including performance targets.</p> <p>The licences are currently being developed and the BBC expects to introduce them in a shadow form in 2006 and in full in 2007. The licences will be published.</p>
Public value survey	<p>Every three to five years, the Board of Governors will commission an independent public value survey of 10,000 licence fee payers. The survey will be designed to provide a detailed, audience-based assessment of the impact, value and effectiveness of the BBC's services. The results will be published.</p>
Performance measurement framework	<p>The performance measurement framework is a new evidence-based system of performance measurement which aims to give BBC Governors, licence fee payers and other stakeholders greater assurance that existing BBC services are delivering public value.</p> <p>This report focuses on the performance measurement framework which is centred on four key drivers of public value identified by the BBC – reach, quality, impact and value for money.</p>

Source: National Audit Office, drawing on 'Building Public Value' (BBC, June 2004)

4 Comparing the BBC's drivers and Ofcom's characteristics of public service broadcasting

The BBC's drivers	Ofcom's characteristics
Reach – providing universal availability and access	Widely available
Quality – providing high quality, distinctive programming	High quality Original Innovative
Impact – enriching the lives of individuals and citizens	Challenging Engaging
Value for money – providing the best value for money for licence fee payers	

Source: National Audit Office

How does the BBC's approach to measuring public service broadcasting compare with overseas?

1.9 We looked at how public service broadcasters in other countries were approaching performance measurement. Our overall sense was that the BBC is at the forefront of current thinking on this topic and continues to liaise with other public service broadcasters in Europe and beyond. And the European Broadcasting Union³, of which the BBC is a member, is currently considering approaches to the measurement of performance in public service broadcasting.

1.10 Points of particular interest are noted at relevant points in this report but in general terms other public service broadcasters, in particular in Scandinavian countries, are implementing performance measurement structures similar to those being implemented by the BBC. The public service broadcaster in the Netherlands (Publieke Omroep) uses a performance 'quality card', comprising measures of reach and share, quality, impact and efficiency.

³ The European Broadcasting Union is a professional association of national broadcasters which, among other things, negotiates broadcasting rights, provides services and represents the interests of public service broadcasters.

PART TWO

The design of the performance measurement framework



2.1 This part of the report considers the design of the BBC's new performance measurement framework. Informed by the 'Choosing the right FABRIC' guidance (see paragraph 3 of the Executive Summary), we focused on a number of high-level questions which will be key as the BBC takes the new framework forward:

- whether the BBC has identified performance measures for the four drivers of public value;
- whether the performance measurement framework focuses on the BBC's objectives;
- whether the performance measurement framework covers all the BBC's public service broadcasting;
- whether the performance measures allow the BBC to benchmark its performance with others.

2.2 The embodiment of the performance measurement framework is the information presented in the BBC's performance reports. So our analysis focused on the information set out in the summary reports, which cover the performance of the BBC as a whole; and we also looked at the reports produced at divisional level, which feed into and supplement the summary reports.

Has the BBC identified performance measures for the four drivers of public value?

2.3 The BBC has identified measures of performance for each of the four drivers in the performance measurement framework – reach, quality, impact and value for money. Some of these have been carried forward from previous performance systems and others are new measures developed specifically for the framework.

2.4 The performance measurement framework is still relatively new and developing, and going forward it will be important for the BBC to:

- establish clear definitions of reach, quality, impact and value for money, and the supporting measures. The BBC staff most heavily involved in the framework appear to have broad working definitions but formalised definitions approved for use across the organisation would help achieve consistency. At present there are instances of different BBC divisions using the same measure to assess different performance drivers. For example, approval ratings are used as a measure of quality by the Television division and as a measure of impact by several other divisions.

- maintain a balance between reach, quality, impact and value for money so that no single performance driver has an undue influence. A strength of the framework is that the package of drivers come together to provide an overall picture of performance. But focusing on any individual driver risks unbalancing the picture as ‘good’ results in one area may be achieved at the expense of ‘bad’ results in another. For example, high quality programming could be more expensive and increase the cost per viewer hour, and vice versa.

(a) Reach

2.5 Reach is the headline indicator of take-up of the BBC’s services and has the benefit of lending itself to firmly quantifiable measures. The ways the BBC currently measures reach are summarised in **Figure 5**.

2.6 Audience share (the percentage of the total audience watching or listening to a particular channel or service rather than to any of the others over a given period of time) together with audience volumes has traditionally been the key measure of performance in broadcasting. And share continues to be part of the BBC’s new performance measurement framework.

2.7 However, in line with the commitment it made in ‘Building Public Value’ (see paragraph 1.3), the BBC now places greater emphasis on overall **weekly reach** – the percentage of the population who have viewed, listened to or used a BBC service for a consecutive period of 15 minutes over the course of a week. Placing greater emphasis on weekly reach reflects the BBC’s aim to serve the whole population whose licence fees help to fund its services.

2.8 Clearly though, reach and share are interrelated and an increase in one may result in an increase in the other. In addition, audience share and volumes feed into a number of other performance measures, including the cost per viewer hour, one of the key measures of value for money (see Figure 8). The BBC needs to ensure that these interrelationships do not distort the balance of the performance measurement framework – for example, a particular emphasis on reducing cost per viewer hour could have the effect of prioritising audience share over weekly reach.

2.9 In general terms, the aim of the shift to weekly reach is to place more emphasis on attracting a wider range of users and as part of this the BBC is aiming to reach under-served audiences. But overall there appears to have been a lack of consistency in what information is collected and reported. The summary performance report covering the BBC as a whole provides information on reach among young people and some BBC divisions have data on particular social and ethnic groups. However, the BBC is currently in the process of defining which particular groups it is seeking to reach, both across the board and at divisional level.

(b) Quality

2.10 The BBC seeks to provide high quality, distinctive programming which it believes the public expects in return for the licence fee. Quality is inherently perception-based and the BBC is seeking to supplement audience perceptions by also recording its success in winning broadcasting awards and assessments of media coverage. The ways the BBC currently measures quality are summarised in **Figure 6**.

2.11 Although many measures of quality are quantifiable, because of the interdependence of measures interpretation can be complex. For example, audience views on an individual programme may impact on wider perceptions of the channel concerned and of the BBC as a whole. Also, audience perceptions need to be treated with some caution, in part because people tend not to watch or listen to programmes they think they will not like. The BBC recognises that the results for quality may be less clear cut and require more interpretation than for some other areas where the data is harder, and it is seeking to generate more sophisticated data to help with assessing quality through its new Internet survey (see paragraph 3.7).

5 The ways the BBC measures reach

- Overall weekly reach (see paragraph 2.7)
- Weekly reach among under-served audiences
- The weekly reach achieved overall and by individual television channels (for all homes and for homes with digital television) and radio services
- The average number of hours consumed per week by each viewer/listener/user
- Audience share achieved overall and by individual television channels (for all homes and for homes with digital television) and radio services (see paragraph 2.6)

Source: BBC

6 The ways the BBC measures quality

- Audiences' approval ratings for the BBC as a whole, assessed on a scale of one to ten
- Audiences' perceptions of the BBC as a whole based on their responses to statements such as "the BBC is independent and impartial" and "I think the BBC makes great programmes to watch and listen to"
- Audiences' perceptions of individual television channels based on their responses when asked which channel is 'best for' particular types of programme, such as soap operas or children's programming
- Audiences' approval ratings for individual radio services, assessed on a scale of one to ten
- Appreciation indices by television channel based on viewers' responses to individual programmes, assessed on a scale of one to ten
- The number and percentage of broadcasting awards won
- The number of press articles, split between those that are positive about the BBC and those that are negative
- A shortlist of programmes that BBC channel and network controllers consider to be especially distinctive or innovative

Source: BBC

(c) Impact

2.12 The BBC describes impact as 'enriching the lives of individuals and citizens' and the ways it is currently measured are summarised in **Figure 7**.

2.13 The strength of impact as a driver of performance is that it seeks to assess whether the BBC is delivering against its public purposes (as set out in Figure 2). For example, to help assess whether it is 'supporting informed citizenship', the BBC asks audiences for their views on statements such as "the BBC helps people understand and make up their minds" and "the BBC helps me understand what is happening in the United Kingdom and the world".

2.14 Impact is, however, the driver of public value that is most difficult to measure and a particular challenge is the question of attribution. For example, if the BBC concludes that public awareness of particular issues covered in BBC broadcasts has increased, it also needs evidence of its contribution to that change. As with quality, the BBC expects its new Internet survey (see paragraph 3.7) to generate improved data to help with assessing impact.

7 The ways the BBC measures impact

- Audiences' views on the memorability of programmes, based on the number and proportion of respondents saying that a programme 'stood out'
- The 'impact factor' – the percentage share of memorable programmes on a particular channel compared with its audience share
- Audiences' perceptions of the BBC and its impact on them, based on their responses to statements such as "my local interests and concerns are well reflected by the BBC's coverage" and "I've learnt new skills or developed existing ones"
- The volume and favourability of press articles
- Assessment of the impact of the BBC's social and educational campaigns

Source: BBC

(d) Value for money

2.15 Clearly the need to measure the value for money provided to licence fee payers is not a new concept and it is a quantifiable measure of the BBC's performance. The ways value for money is currently measured are summarised in **Figure 8**. The indicators are largely cost-based, focusing on inputs rather than wider concepts of value for money, although the BBC also measures audiences' perceptions of the value for money it provides.

8 The ways the BBC measures value for money

- Cost per viewer, listener or user
- Cost per viewer or listener hour (or cost per user reached in the case of online services) – calculated by dividing the total programming cost by the number of viewing or listening hours
- Audiences' views on: the value for money of the licence fee; how wisely the BBC spends the licence fee; whether the BBC is well run; and whether the BBC is accountable to licence fee payers

Source: BBC

2.16 A measure of value for money, which is not currently covered by the performance measurement framework, is the proportion of its resources that the BBC spends on programming. As shifting resources away from overheads into programming is a priority for the BBC, reflecting this in the measures of value for money would be a logical step. It would also be consistent with the approach adopted by some public service broadcasters overseas. For example, the Australian broadcaster (ABC) reports on overhead expenditure as a percentage of gross expenditure as one of a number of measures of efficiency.

2.17 To date performance against the value for money driver has been assessed less consistently than the other drivers, with cost information not presented each quarter and in some divisions only at the end of the financial year, making it more difficult to track performance.

Does the performance measurement framework focus on the BBC's objectives?

2.18 The performance measurement framework should be firmly linked to the BBC's objectives relating to the delivery of public service broadcasting. In 'Building Public Value' (see paragraph 1.3), the BBC stated that the Board of Governors would draw heavily on the drivers of reach, quality, impact and value for money to set annual objectives for the BBC and its services, and would require BBC Management to report against these areas.

2.19 At April 2005 the BBC had not explicitly linked its public service broadcasting objectives to the performance measurement framework, although at divisional level objectives for 2005-06 were being framed in these terms. Clearly the BBC will need to ensure that the detailed measures within the framework keep step with overall and divisional objectives as they are developed.

2.20 Linked to objectives is the need to consider the setting of performance targets. At present the BBC sees reach as the area most susceptible to target setting given its generally accepted goal for the organisation as a whole of achieving weekly reach of 95 per cent across the United Kingdom population. Some public service broadcasters overseas – for example the Finnish broadcaster, Yleisradio Oy – already have targets for reach. However, the BBC is setting annual targets across all four performance drivers as divisions frame their objectives for 2005-06 in this way.

Does the performance measurement framework cover all the BBC's public service broadcasting?

2.21 The BBC is applying the performance measurement framework in full in six of its eight broadcasting divisions which are funded by the television licence fee to provide public service broadcasting⁴ (Figure 9). These six divisions are responsible for commissioning and scheduling the BBC's programming and are able to influence all of the performance drivers of reach, quality, impact and value for money.

9

The BBC divisions which provide public service broadcasting

- Television
- Radio and Music
- New Media
- News
- Sport
- Nations and Regions
- Factual and Learning
- Drama, Entertainment and CBBC

Source: BBC

⁴ The ninth broadcasting division, BBC World Service and Global News, is not funded by the television licence fee. The BBC World Service is funded by the Foreign and Commonwealth Office and is subject to separate arrangements for performance measurement; and Global News is the broadcasting arm of BBC World, which is a subscription-based service.

2.22 The remaining two broadcasting divisions – Factual and Learning, and Drama, Entertainment and CBBC – are by and large non-commissioning divisions, which supply programming to the other divisions and have less influence over the performance drivers. These divisions have their own performance measurement arrangements focusing mainly on the quality of their output, and in addition relevant aspects of their performance are covered by the framework by being included in the reports for the Television and New Media divisions.

Do the performance measures allow the BBC to benchmark its performance with others?

2.23 A useful way for organisations to assess their performance is by comparing it with the performance of similar organisations, and in line with good practice the BBC compares aspects of its performance with that achieved by other broadcasters. For example:

- in reporting the weekly reach and audience share achieved by its television channels, the BBC also presents data for other United Kingdom channels;
- on quality, the ‘best for’ assessments (where audiences are asked which television channel is best for particular types of programme) are by their nature comparative and the BBC presents data for all the relevant channels;
- for reach and quality in radio, the BBC compares the performance of its services with that of commercial radio stations.

2.24 Although value for money also lends itself to performance benchmarking, the BBC and other broadcasters do not share data on costs due to competition constraints and concerns about the difficulty of achieving like for like comparisons.

PART THREE

The data systems supporting the performance measurement framework



3.1 Good quality and reliable data is essential to an effective performance measurement framework. This part of the report considers the BBC's arrangements for generating performance data, in particular whether:

- systems are in place to generate comprehensive and timely data;
- the BBC has adequate quality assurance arrangements.

Are systems in place to generate comprehensive and timely data?

3.2 The BBC has systems for generating data for each of the four drivers in the performance measurement framework. Some of these systems are longstanding and others are being put in place to improve the quality and timeliness of the data. And increasing media fragmentation, with more people accessing BBC services by new means, will present further challenges in terms of audience research in the future.

(a) Reach

3.3 At the core of the data systems for measuring reach are two well established industry-wide systems which generate audience data – the Broadcasters' Audience Research Board for **television** and Radio Joint Audience Research Limited for **radio** (**Figure 10 overleaf**). The BBC is a founder member and major shareholder of these two systems, and has representatives on the boards of both.

3.4 In addition to collecting data on television and radio reach, the BBC has commissioned an Internet research company (Nielsen//NetRatings) to provide information on the volumes of people accessing its **online services**. Using a panel of some 5,000 people, the company measures usage of both the BBC's online site (bbc.co.uk) and other websites, allowing comparisons to be made. The data covers only Internet usage at home and the BBC has also commissioned the British Market Research Bureau (BMRB) to track Internet usage at home, work and school. BMRB conducts two surveys – one of 8,000 people aged 15 and over every month and a second of 500 children aged between seven and 14 every quarter. The BBC also now collects data on the number of people using BBCi, its interactive services.

10 How data on television and radio reach is generated

Television

- The Broadcasters' Audience Research Board (BARB) was established in 1981. It is a non-profit making limited company owned by the BBC, ITV, Channel 4, five, BSkyB and the Institute of Practitioners in Advertising. BARB commissions contractors to produce audience ratings on its behalf.
- Reach (in-home viewing, not out-of-home viewing) is measured electronically using a nationally representative panel of 5,100 homes (representing around 11,500 viewers). The television sets and video recorders within each home are electronically monitored by a meter, which automatically collects information about which programmes and channels residents and guests are viewing. The audience data is detailed in that it is produced on a minute-by-minute basis for all channels received within the United Kingdom, and timely in that viewing figures are available to the BBC the morning after programmes are transmitted. Consolidated data including figures for video cassette recorder playback is available a week later.

Radio

- Radio Joint Audience Research Limited (RAJAR) was established in 1992. It is owned by the BBC and the Commercial Radio Companies Association. RAJAR employs a contractor to produce audience ratings on its behalf and generates data via a nationally representative sample of people keeping a written diary of their radio listening for seven days. Approximately 130,000 diaries a year are completed and people are asked to record which stations they listened to at what times, and where they were listening.
- Every three months RAJAR releases audience figures for each station. In January 2005 RAJAR published the results of an industry-wide consultation on the issues facing radio measurement, and one of the conclusions was that electronic measurement should be introduced at some point in the future. This could involve the use of audiometers (also called radiometers), which are small portable devices designed to 'hear' any broadcasts that the wearers are exposed to, and would result in more timely availability of data.

National Audit Office, drawing on information from BARB and RAJAR

(b) Quality and impact

3.5 The BBC uses a large number of measures to assess the quality and impact of its public service broadcasting. The key data systems for these performance drivers are two surveys which generate data on audience perceptions.

3.6 The 'pan-BBC tracking study' is conducted on behalf of the BBC by the market research company, Taylor Nelson Sofres, and measures audience approval and attitudes towards the BBC and its services overall. It is a continuous quantitative survey, consisting of 700 face-to-face interviews each month amongst a sample of people aged 15 and over across the United Kingdom. A different sample of people is interviewed each month. Children aged under 15 are not part of the survey and the approval ratings for children's channels (CBeebies and CBBC) are given by parents. The data is available to the BBC around three weeks after the end of each survey month.

3.7 To strengthen its data collection, in April 2005 the BBC introduced a new **Internet survey** carried out by the market research company, the GfK Group, to generate data on audience perceptions of individual programmes. The approach is based on experience in the Netherlands where the GfK Group has been running an Internet survey for the public service broadcaster, Publieke Omroep, since 2002.

3.8 The survey, which replaced a previous diary postal survey, asks respondents to rate the previous day's programmes. It uses a panel of 15,000 people (up from the sample of 4,000 previously used), of whom an average of 5,000 complete the survey every day, and there is a separate panel of 1,500 children. The survey provides more timely data with the results for each programme available within 36 hours of transmission rather than 16 days as was previously the case.

3.9 In implementing this new approach to measuring audience perceptions, the BBC is giving particular attention to ensuring that there are enough respondents – it is looking to sustain the current daily sample of 5,000 respondents – and that the sample is representative given that the Internet is less accessible to some sections of the population. The BBC is also considering broadening the scope of the survey to cover daytime as well as peak evening programmes and more radio stations (at present the survey covers only Radio 4).

3.10 In addition to its ongoing audience surveys, the BBC commissions **bespoke research** to evaluate the impact of its periodic social and educational campaigns. This may involve tracking, for example, the number of people who accessed the programme's website or joined a discussion forum.

(c) Value for money

3.11 The data used to assess performance against the cost-based measures of value for money comes from the BBC's established financial reporting systems. Each BBC division prepares monthly reports and accounts, including this cost data, which are analysed by the central Finance division. Data for the audience perception measures of the value for money of the BBC is generated by the pan-BBC tracking study (see paragraph 3.6).

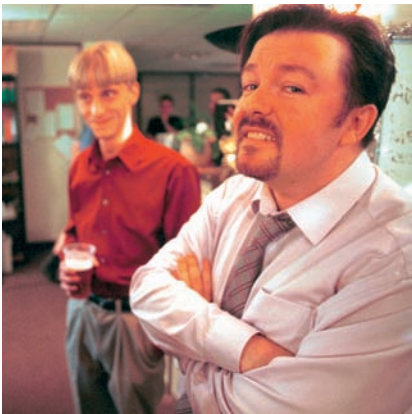
Does the BBC have adequate quality assurance arrangements?

3.12 Much of the data the BBC uses is generated by established external sources (including BARB, RAJAR and market research companies) and it is then subject to processing within the BBC. Users of the performance measurement framework need to be confident that the source data is reliable and that it is reported accurately, and responsibility for providing this assurance rests with the BBC.

3.13 The BBC relies on external data providers' systems of quality assurance and its Internal Audit team carries out spot checks on the non-financial figures reported in the BBC's annual report. At present, however, the BBC does not have quality assurance arrangements which focus explicitly on the performance measurement framework to provide assurance that source data is reliable, used appropriately, reported accurately and interpreted fairly.

PART FOUR

How performance information is being used and reported



4.1 Once performance information has been gathered and validated, the overall success of a performance measurement framework lies in how it is used. This part of the report looks at how the BBC is using and reporting the information generated by its performance measurement framework. In particular we considered whether:

- the performance measurement framework is being used to influence thinking in the BBC;
- the reporting arrangements are effective;
- the performance measurement framework provides a basis for the BBC to be externally accountable.

Is the performance measurement framework being used to influence thinking in the BBC?

4.2 It is early days in the life of the new performance measurement framework but from our discussions with BBC Senior Managers and other staff it was apparent that reach, quality, impact and value for money – the drivers of the framework – are becoming common currency in the BBC's thinking about public service broadcasting. And as highlighted in part 2 of this report, the performance measurement framework is being incorporated into the BBC's internal objective setting process and in this way reach, quality, impact and value for money are being cascaded throughout the organisation.

4.3 Embedding reach, quality, impact and value for money throughout the organisation is however, as the BBC recognises, a longer term challenge. To help with this,

the reports reflecting the information gathered under the performance measurement framework are made available to staff via the BBC intranet. The BBC's aim of embedding the framework across the organisation underlines the importance of clear definitions to help achieve consistent use and understanding (see paragraph 2.4).

4.4 The BBC divisions we spoke to found the reports produced under the performance measurement framework a useful tool to inform their ongoing business management. And although it is early days, there was evidence of the BBC using the framework to influence decisions. For example:

- the Executive Board is using the performance measurement framework to inform future funding allocations for the broadcasting divisions, with programming plans being prepared and then assessed in terms of their contribution to reach, quality, impact and value for money;
- the Television division has used the performance measurement framework to review its programming and inform decisions on the allocation of funding. Resource bids have been presented in reach, quality, impact and value for money terms, making it easier to compare them;
- the News division has used the performance measurement framework to help decide whether particular programmes should be rescheduled, repeated or re-commissioned. It has found the objectivity and evidence-based approach of the framework to be a useful support tool in making such decisions.

Are the arrangements for reporting performance effective?

4.5 Performance reports, reflecting the information gathered under the performance measurement framework, are produced quarterly for the BBC Board of Governors, the Executive Board, the Creative Board and the Journalism Board, which oversee the BBC's public service broadcasting (see Figure 1). All these Boards receive a summary report covering the BBC as a whole and a detailed report on the performance of individual divisions, including a divisional summary. In line with good practice, the reports present performance over time, with data for previous quarters and performance compared year-on-year.

4.6 The BBC previously reported performance every month but, in the light of concern that this frequency risked diminishing the impact of the reports and producing 'knee-jerk' reactions to short term fluctuations in performance, it has now moved to quarterly reporting. The staff we spoke to felt this change had led to more meaningful discussion, and there was still the opportunity to raise pressing performance issues at monthly Board meetings.

4.7 The BBC is seeking to improve performance reporting in the light of feedback from users and we identified a number of ways in which the reports (in particular the summary report) could be sharpened and presentationally made more user-friendly. For example:

- there is a need to differentiate between priority information and material that is of secondary importance. At present the performance reports include a large number of measures, which are not prioritised for the reader (for example, the February 2005 summary report included over 80 individual measures presented graphically plus other qualitative information). It would be useful for the reports to highlight a smaller number of key measures across the four drivers (which may vary for different audiences), with the less important information presented separately;

- there is scope for providing users with clear definitions of the performance measures and the methods by which they are calculated;
- the reports could highlight more clearly key issues for discussion by supplementing the graphical presentation of data with more explanation. For example, the News division has introduced a 'talking points' section at the front of its performance reports, flagging up areas for discussion;
- the reports could set out more clearly expected levels of performance to help readers interpret the information. Although the reports use a 'traffic light' system to signal whether performance is average, or above or below average, the parameters for these judgements are not made clear and therefore there is a risk of inconsistency.

4.8 At present the performance reports are not tailored to different audiences – the Board of Governors and the Senior Management Boards receive the same reports. In the case of the Governors, the Governance Unit is considering how the summary report could be better tailored to the specific needs of the Governors and supplemented by briefing papers to highlight key issues. The Governance Unit is also reviewing its arrangements for systematic follow-up of issues raised by the Governors to ensure the arrangements are as effective as possible.

Does the performance measurement framework provide a basis for the BBC to be externally accountable?

4.9 'Building Public Value' (see paragraph 1.3) envisaged the performance measurement framework enabling the Board of Governors, BBC Management and the public to understand better how well the BBC's services are doing. The document stated the Governors' intention to use the measures of reach, quality, impact and value for money to set objectives for the BBC and its services each year, and that they would form the basis for the BBC's Annual Report to Parliament and the British public.

4.10 In taking forward the external reporting dimension of the performance measurement framework, a key question for the BBC will be how to present the information in an understandable and manageable form given the volume of data involved. There are also technical challenges since external reporting may involve the BBC aggregating and interpreting the results of a wide range of performance measures. At the same time the BBC will need to ensure that the integrity of the measurement framework is maintained.

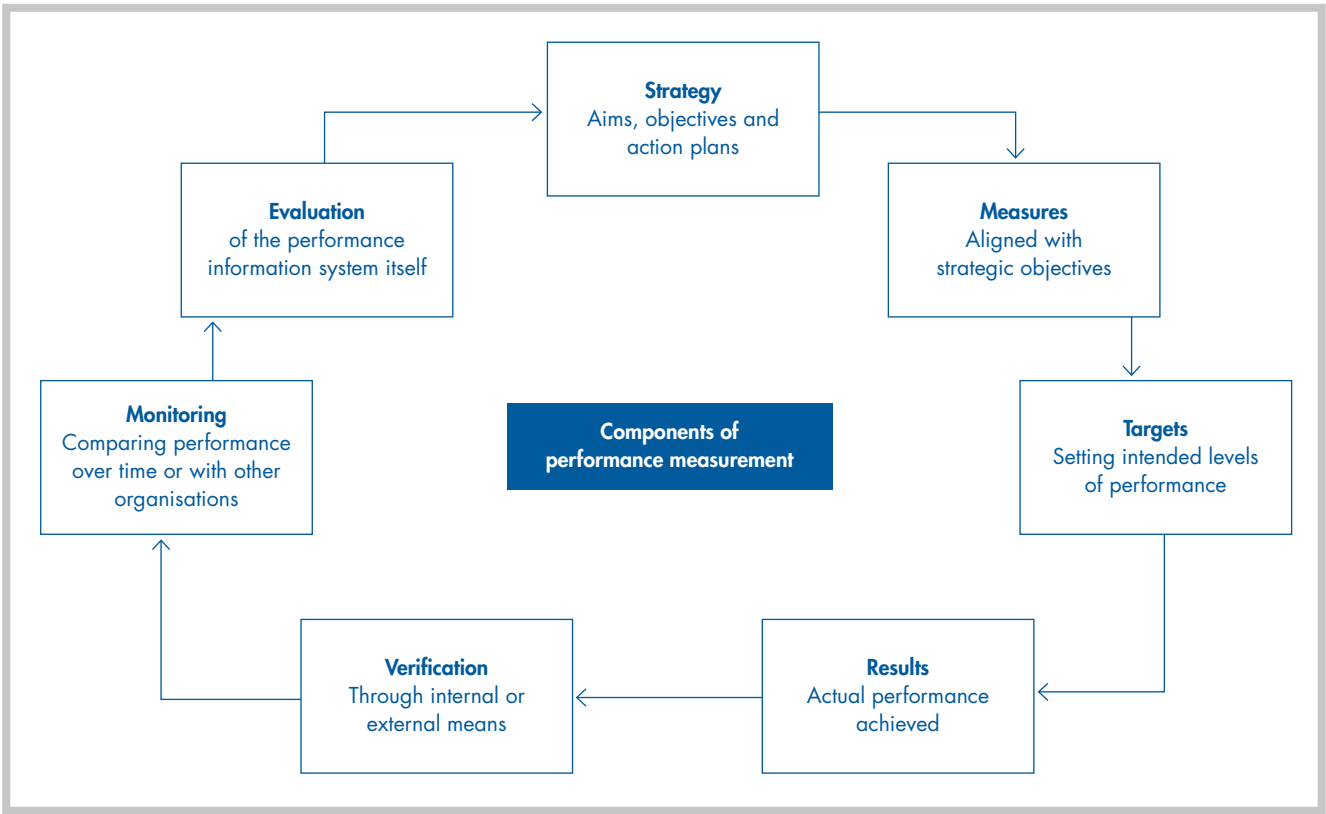
4.11 The Finnish broadcaster (Yleisradio Oy) publishes an annual audience report, alongside its annual report, which sets out the extent to which it has succeeded in providing universal television, radio and online services, and “discusses Finnish people’s perceptions and expectations of public service broadcasting as well as their satisfaction with the service”. The report provides both narrative and statistical information on areas such as reach and share, satisfaction with programming, and perceptions of value for money. The Netherlands public service broadcaster (Publieke Omroep) plans to use its performance quality card (see paragraph 1.10) as an instrument for external accountability.

APPENDIX

Study methods

1 Our study focused on the new performance measurement framework which the BBC began to introduce in Autumn 2004. The BBC is continuing to develop and refine the framework so our aim was to review progress and contribute to the BBC’s thinking on the further work to be done.

2 In doing our work, we were guided by the good practice principles set in ‘Choosing the Right FABRIC – a framework for performance information’, produced jointly by HM Treasury, the Cabinet Office, the National Audit Office, the Audit Commission and the Office for National Statistics. The publication identifies the key components of a good performance measurement system.



Work at the BBC

Interviews with BBC staff

- 3** We met the Director-General and Deputy Director-General of the BBC to get their views on the performance measurement framework.
- 4** We carried out interviews with key staff from the BBC divisions involved in implementing and supporting the performance measurement framework, including the Strategy and Distribution division and the Marketing, Communications and Audiences division. The interviews covered the design of the framework, the systems for data collection, and the performance reporting arrangements.
- 5** We interviewed staff from three of the BBC's broadcasting divisions – Television, News and Sport – which we used as case studies of how the performance measurement framework is being implemented in practice and how it is being used to influence planning and management. We also sought their views on how the framework might be improved from the perspective of the broadcasting divisions.
- 6** We interviewed key staff from the BBC's Governance Unit, which supports the Board of Governors in its work, to get their views on how the performance measurement framework is being used and how it might be improved from the perspective of the Governors.

Review of performance reports and other material

- 7** We reviewed the quarterly reports that are produced under the performance measurement framework – both the summary reports covering the performance of the BBC as a whole and the more detailed divisional reports which feed into and supplement the summary reports.
- 8** We also examined a range of other published and unpublished material, including 'Building Public Value', the BBC's Annual Report, minutes of meetings of the BBC's Board of Governors and Management Boards, divisional objectives and audience research material.

Interviews with stakeholders

- 9** We met officials from the Department for Culture, Media and Sport with responsibility for broadcasting policy to discuss the BBC's approach to performance measurement, the Government's Green Paper on the Review of the BBC's Royal Charter, and wider matters relating to public service broadcasting.

- 10** We interviewed staff from Ofcom (the independent regulator of the United Kingdom communications industries) to discuss Ofcom's review of public service television broadcasting, the BBC's approach to performance measurement, and the alignment between the two.

- 11** We met the team from Spectrum Strategy Consultants, commissioned by the Board of Governors to assess the BBC's proposed 'public value test' (see Figure 3), to discuss our and their work.

- 12** We met a number of other parties with experience or expertise in public service broadcasting to get their views on the BBC's approach to performance measurement and wider matters. We interviewed: Patrick Barwise, Professor of Management and Marketing at the London Business School; Philip Booth, Editorial Director at the Institute of Economic Affairs; Jamie Cowling, then Media Research Fellow at the Institute of Public Policy Research; and Claire Grimmond, Head of Research at Channel 4.

Research on approaches to measuring public service broadcasting overseas

- 13** We looked at how public service broadcasters in other countries are approaching performance measurement. Although comparing public service broadcasting in different countries is problematic because structures, funding systems and remits vary from one country to the next, we wanted to see in general terms how the BBC's performance measurement framework compared with arrangements being implemented overseas.
- 14** We carried out research and liaised with representatives from the European Broadcasting Union and with parties with knowledge or experience of public service broadcasting in other countries, including broadcasters, industry organisations and academics. We also met the BBC's Head of European Policy and representatives from the Nordic public service broadcasters.
- 15** Through these contacts, we gathered information on the approaches to performance measurement in the following countries: Australia, Belgium, Denmark, Finland, Germany, the Netherlands, Norway and Sweden.



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This report is available online at
bbcgovernors.co.uk