



## **BBC World Service**

Report by the Comptroller and Auditor General  
presented to the BBC Trust Value for Money Committee,  
14 June 2016



National Audit Office

## Key facts

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**£254m**

BBC World Service  
expenditure in 2014-15

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**1,518**

BBC World Service staff  
in 2014-15

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**246m**

estimated average  
weekly audience  
for 2015-16

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**£60.5 million** target reduction in annual expenditure by 2016-17, compared to a 2010-11 baseline

**£46.8 million** reduction in annual expenditure by 2014-15, compared to a 2010-11 baseline, in line with its milestone target

**£27 million** one-off cost to 2014-15 of reducing expenditure

**630** number of posts closed from 2010-11 to 2014-15

**5** number of language services closed in 2010-11

**1** number of language services opened since 2010-11

**3** number of languages available via television in March 2010

**15** number of languages available via television in May 2016

# Summary

## Introduction

**1** The BBC World Service (the Service) is an international broadcasting service run by the BBC. It provides radio, television and online services in 29 languages to an estimated global audience of 246 million adults. Its main audiences are in Africa, the Middle East and Asia. In 2014-15 it spent £254 million and employed 1,518 staff. Around 35% of its staff are based overseas, with most of the rest co-located with other BBC News Group departments in New Broadcasting House in London.

**2** The World Service is established under the same Royal Charter as the BBC's UK services. The BBC's Executive Board is accountable to the BBC Trust for the Service's performance. The Foreign Secretary agrees, jointly with the BBC Trust, the Service's objectives, priorities and targets, although editorial control rests entirely with the BBC. The Service cannot open a new language service or close an existing one without the approval of the BBC Trust and Foreign Secretary.

**3** The Service is facing several strategic challenges. Until recently, it broadcast mainly on radio. However, changes in technology and consumer behaviour have contributed to a long-term decline in demand for short-wave radio as audiences increasingly use online, FM radio and television news services. The Service is facing increased competition from other international and local broadcasters as international media markets develop.

**4** The Service has also had to respond to financial pressures and to changes in how it is funded. In October 2010, the government announced that it was reducing the Service's revenue funding by 16% and its capital funding by 52% over the period 2011-12 to 2016-17. In addition, the government announced that funding from the Foreign & Commonwealth Office (FCO), which had formed the main source of the Service's income, would cease in April 2014; instead, the Service would be funded mainly from television licence fee income.

**5** In November 2015, the government announced that it would make £289 million available to the Service from 2016-17 to 2019-20. This new funding is additional to the funding the Service receives from the licence fee. In May 2016, the government announced its intention to ensure that the BBC protected the licence fee funding for the Service at £254 million a year for the five years from 2017-18.

**6** In response to the competitive pressures it faced and the funding reductions announced in October 2010, the Service set out to transform itself from a mainly radio-based operation to a multi-media broadcaster, while at the same time seeking to reduce its costs.

### Scope and approach

**7** This report examines the Service's performance since 2010 in responding to the challenges it faces. We examine:

- the Service's progress in reducing expenditure, its investment in new delivery platforms, such as digital and television, and how it prioritises services for development (Part Two); and
- the Service's reported performance, its approach to target-setting and measuring performance, and its wider benefits for the UK (Part Three).

### Key findings

#### Delivering change

**8 The Service has used savings generated since 2010 to invest in new digital and television services.** As at May 2016, all 29 language services were available across a larger number of digital platforms than in 2010. The Service had increased the number available on television from 3 to 15. Its expansion into television has taken the form of the provision of news bulletins and individual programmes delivered by partners, rather than opening its own new television channels. As at May 2016, it was planning to expand and enhance its services using the funding of £289 million announced by the government in November 2015 (paragraphs 2.14 to 2.16).

**9 The Service has successfully reduced its expenditure at a lower cost than expected.** Our analysis of financial data indicates that, by 2014-15, the Service had reduced its annual expenditure by £46.8 million, compared to a baseline set in December 2010. This was in line with its milestone target of £46.7 million. The Service has plans in place to achieve annual savings of £59.6 million by 2016-17. This is lower than the savings target identified in December 2010 as the Service received some extra funding subsequently. One-off implementation costs were £27 million by the end of 2014-15, 40% lower than its original estimate for that date of £45 million. The latest estimate of its implementation costs to 2016-17 is £31 million, 42% below its original estimate of £53 million (paragraphs 2.2, 2.3 and 2.7).

**10 The one-off costs of reducing expenditure were lower than expected as the Service made fewer staff redundant than planned.** The Service originally planned to close 650 posts to the end of 2013-14 out of a workforce in 2010-11 of 2,570. By March 2015, it had closed 630 posts, with more staff than expected leaving without taking redundancy and significant numbers being redeployed elsewhere in the BBC. The Service plans to close a further 105 posts by March 2017 (paragraph 2.4).

**11 The Service reduced expenditure through increased efficiency arising from the introduction of new ways of working and closer integration, and through a reduction in services.**

- Almost £31 million of savings, 66% of the total up to the end of 2014-15, resulted from improvements to the Service's efficiency, although no specific efficiency targets were set at the start of the spending reduction programme. Its move into New Broadcasting House in early 2012 and the switch to licence fee funding from 2014-15 enabled the Service to introduce new ways of working and to integrate more closely with BBC News (paragraphs 2.6 and 2.8 to 2.10).
- In addition to other savings measures, the Service closed five foreign-language services completely and stopped all radio broadcasts for a further seven. Savings from reducing services to the end of 2014-15 were almost £16 million, 34% of the total delivered up to the end of 2014-15. However, as more funding was made available to the Service over time, it scaled back its plans to close services. For example, although it initially planned to stop short-wave radio programmes for all but five language services by the end of 2014-15, it was still broadcasting in short wave for 16 languages by this date. As at May 2016, it had no plans for further closures (paragraphs 2.11 and 2.12).

**12 It is not clear how the Service has taken cost-effectiveness into account when recommending language services for opening or closure.** Although the Service's stated criteria for recommending which language services it should provide included cost-effectiveness, such recommendations have been driven primarily by the Service's assessment of the strategic importance of the countries involved and their need for independent, impartial news. It is unclear how the Service took account of cost-effectiveness when recommending which language services to provide. In November 2014, the Service defined a cost-effective language as one that did not cost more than 30% of the average cost per user for similar services on similar platforms. Exceeding such a threshold does not necessarily mean that a service should not be provided. However, our analysis shows that nine language services exceeded this threshold (paragraphs 2.20 and 2.21).

## Reporting performance

**13 The Service estimates that its total annual audience has increased from 166 million in 2010-11 to 246 million in 2015-16, exceeding its forecasts.**

The Service predicted significant reductions in its audiences in forecasts it prepared in 2011 and 2012. Actual audiences have been higher as the Service has invested more in digital and television services than it originally expected, and it has cut back on the reductions it planned for short-wave radio. The Service does not, however, report on the audience reach it achieves as a share of population, either globally or for each of its language services. It also has a smaller global footprint than it had previously due to the reduction in the number of language services (paragraphs 3.2, 3.3 and 3.7, and Figure 5).

**14 The Service has made a proportionate attempt to estimate the size of its audience.** Given the Service's international coverage, obtaining the data needed to estimate its audience figure can be difficult. The Service therefore obtains data from a variety of sources, including approximately 15 new audience surveys a year, on average. Most of the survey data used to estimate the audience figure in 2014-15 were reasonably up-to-date, but 10% of the data were between 5 and 10 years old. Also, because of local circumstances, there are always likely to be countries where data will not be available for television and radio audiences (paragraphs 3.11 and 3.12).

**15 The Service could report more fully on the level of uncertainty of its estimated audience figure.** The compilation of the audience figure involves a number of adjustments by the Service to the data collected; for example, to guard against double-counting those who consume its output on more than one platform and to only count users who actively engage with its social media content. Year-on-year changes to the figure can reflect not only changes in performance but also changes to what is included and refinements to the methodologies used to compile the total. When reporting the audience figure, the Service does not currently publish full details of how it produces the figure, the age profile of the underlying data, or the estimated uncertainty attached to the total figure (paragraphs 3.13 and 3.14).

**16 The Service's audience targets for 2016-17 were set at or below the Service's forecast levels, and two of three had been achieved by 2014-15.** In 2013, the BBC Trust and FCO jointly approved three high-level audience targets for the Service for a three-year period. The target for the Service's estimated weekly global audience was set equal to the audience forecast of 200 million by 2016-17. The Service achieved an estimated audience of 210 million in 2014-15. Individual targets for television and digital audiences were set below their respective forecasts because the BBC Trust wanted to give the Service operational flexibility to decide how best to meet the overall audience target across different platforms. The target for television was achieved by 2014-15, and the target for digital audiences by 2015-16. Although two targets were met after the first year of a three-year period, and all three after the second year, the targets have not been formally reviewed to consider whether they should be amended. New targets will be agreed as part of the new operating licence under the new Charter (paragraphs 3.2 and 3.8 to 3.10).

**17 The Service has reported that it has met its targets on audience satisfaction, but the data it uses for this does not relate specifically to the Service.** The Service has reported that, in 2013-14 and 2014-15, it had met its targets of achieving higher ratings than its international competitors for 'most trusted international news provider' and 'helps to keep me informed'. The results are based on data collected for BBC News as a whole. The BBC does not collect audience satisfaction data specifically for the Service as it considers that its overseas audiences tend not to differentiate between its different overseas brands. However, the 2014-15 survey over-represented European countries when considered against the Service's overall audience. As the BBC continues to integrate its news services, it will become increasingly challenging for it to identify the performance of specific services (paragraphs 3.4, 3.15 and 3.16).

**18 The FCO has not confirmed how it will assess the impact of the additional funding of £289 million.** The government announced this funding on the basis that, as a provider of accurate, impartial and independent news, the Service helps to strengthen democratic accountability and governance, and promote Britain and its values around the world. As at May 2016, the FCO had not confirmed how it would assess the impact of the extra funding (paragraph 3.18).

### **Conclusion on value for money**

**19** The World Service has successfully delivered much of what it set out to do back in 2010: it has invested in new digital and television services, integrated its services more closely with the rest of the BBC, and, in so doing, delivered efficiencies, and achieved an estimated audience of 246 million in 2015-16. In addition, one-off implementation costs have been lower than expected as the Service has made fewer staff redundant than planned, even though it had closed five foreign-language services and 630 posts by March 2015.

**20** This transformation has delivered value for money, but there is scope to improve the approach to target setting and performance reporting. Targets have been set at or below forecast levels, and not reviewed when they have been exceeded. The Service could be clearer about the methods and uncertainty associated with the two key approaches it uses – on audience size and satisfaction – to report on its performance, and report publicly on a broader range of measures, and in more depth.

## **Recommendations**

- a** **There is scope to improve the approach to target-setting and performance reporting.** The Service's audience targets were set at or below the Service's forecast levels, and the range of measures used to report on Service performance is limited to the estimated size of its global audience and audience satisfaction with BBC News.
- The BBC and FCO should provide for an arrangement to review targets, in order to maintain performance incentives while also recognising any relevant external factors that might impact on performance.
  - The BBC should report a broader range of measures on the Service's performance.
- b** **The Service should set out, alongside its published performance figures, a fuller explanation of how its figures are compiled, and the associated levels of uncertainty attached to them.** In compiling its global audience figure the Service does not currently publish full details of how it produces the figure, the age profile of the underlying data, or the estimated uncertainty attached to the total figure.
- c** **The Service should explicitly assess services against all its chosen criteria, including its cost-effectiveness criterion, when identifying which services to provide.** It was unclear how the Service took account of cost-effectiveness, relative to other criteria, when recommending which language services to open or close.
- d** **The FCO should identify how it will assess the impact of the £289 million new funding which was announced for the purposes of strengthening democratic accountability and governance, and promoting Britain and its values around the world.** As of May 2016, it had not confirmed this.