
Departmental Overview 2019-20

The BBC Group



National Audit Office



October 2020

This overview summarises the work of the BBC Group including what it does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

**We are the UK's independent
public spending watchdog**

The BBC group

Contents

Overview

About the BBC – key facts **3**The BBC's public service and commercial arms **5**The BBC's income **6**How the BBC spends its money **7**Overview of the BBC's accounts 2019-20 **8**Major programmes and key developments 2019-20 **9****Part One** People **10****Part Two** The BBC's audiences **13****Part Three** New markets **18****Part Four** COVID-19 **20****Part Five** Issues to look out for **22****Part Six** Our value-for-money work 2019-20 **23**

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent. In 2019, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.1 billion.

If you would like to know more about the NAO's work on the BBC, please contact:

Louise Bladen
Director,
BBC and DCMS Value for Money

Louise.Bladen@nao.org.uk
020 7798 7587

Lewis Knights
Director,
BBC Financial Audit

Lewis.Knights@nao.org.uk
020 7798 7977

If you are interested in the NAO's work and support for Parliament more widely, please contact:

Parliament@nao.org.uk
020 7798 7665



About the BBC – key facts

Public purposes

The current Royal Charter, introduced in 2017, sets out the BBC's five public purposes.

1 Provide impartial news and information to help people understand and engage with the world around them.

2 Support learning for people of all ages.

3 Show the most creative, highest quality and distinctive output and services.

4 Reflect, represent and serve the diverse communities of all the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom.

5 Reflect the United Kingdom, its culture and values to the world.

The British Broadcasting Corporation (BBC) is the UK's main public service broadcaster

Ofcom the communications regulator defines public service broadcasting (PSB) as the collective output of specified television services designed to meet purposes and objectives set by Parliament. Currently, these services are: the BBC's television channels, ITV, STV, Channel 4, S4C and Channel 5.

PSB is the largest part of the BBC Group. Its principal funding comes from the television licence fee, which is the group's largest source of revenue.

The BBC's constitutional basis is a **Royal Charter**, which establishes its independence, primary mission and public purposes.

The BBC's mission is to act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services that inform, educate and entertain.

The BBC is a public corporation of the **Department for Digital, Culture, Media & Sport**.

The BBC Group also has a commercial arm

Alongside the BBC Public Service, the Royal Charter permits the **BBC to undertake commercial activities**, provided that they: fit with the BBC's mission and public purposes; are not funded through licence fee income; and aim to make a profit.

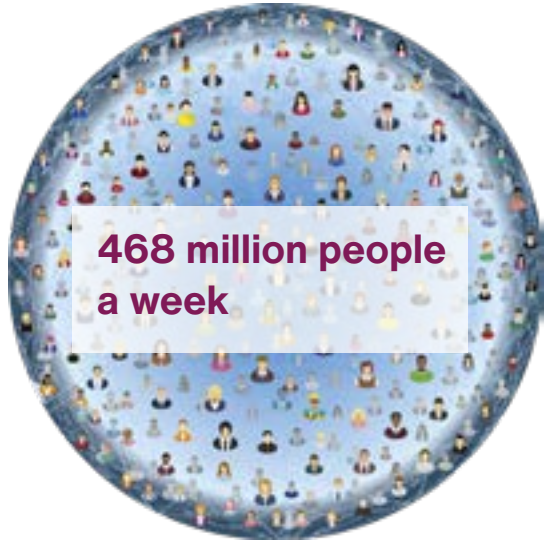
BBC Commercial Holdings has four arms: BBC Studios, BBC Studioworks, BBC Global News and BBC Children's Productions.

BBC Commercial Holdings manages debt facilities on behalf of all the BBC's commercial activities and lends funds from these facilities to subsidiaries at a commercial rate. It is through this company that the **commercial subsidiaries make dividend payments to the BBC**.

About the BBC – key facts *continued*

Key facts

BBC's global reach:



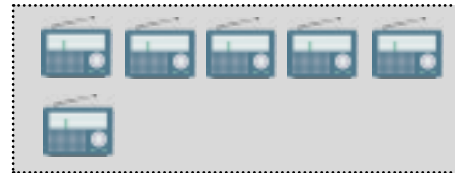
10 UK TV services:



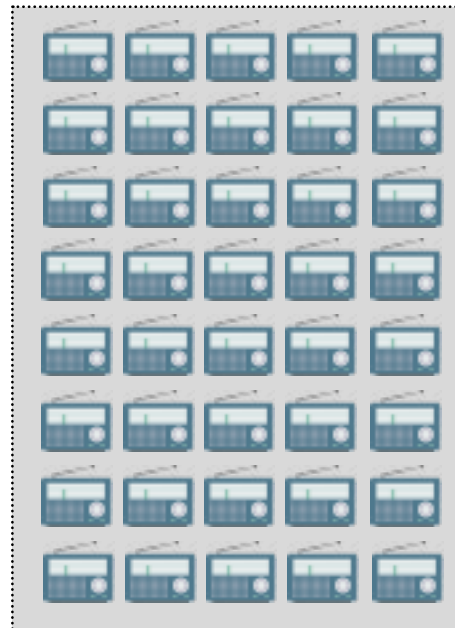
56 radio stations:



10 pan-UK



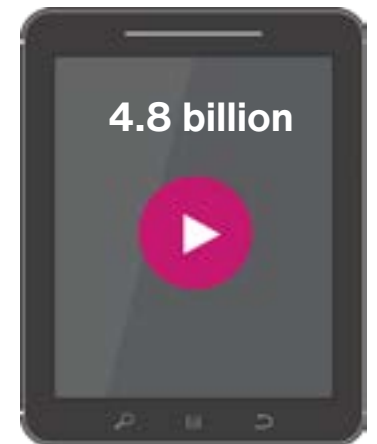
6 national



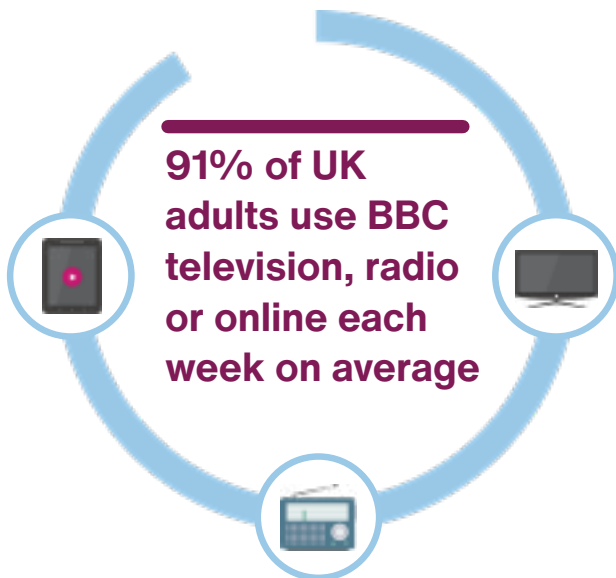
40 local
(across England and the Channel Islands)

There is also the World Service

iPlayer programme requests 2019:



91% of UK adults use BBC television, radio or online each week on average



The BBC's public service and commercial arms

The BBC Group comprises more than 100 separate entities. However, most activity is concentrated in the BBC Public Service broadcaster and BBC Studios, BBC Global News and BBC Studioworks.

BBC Public Service broadcaster

Total operating costs 2019-20:
£4 billion

Split into five divisions:

- 1 News and Current Affairs;
- 2 Nations and Regions;
- 3 Content;
- 4 Radio and Education; and
- 5 Corporate Services.

BBC Studios

Total operating costs 2019-20:
£1.3 billion

Funds, creates, distributes and commercialises content for the BBC and other companies, both in the UK and internationally.

103 subsidiary companies.

BBC Global News

Total operating costs 2019-20:
£114 million

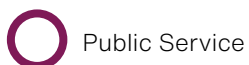
Operates the TV channel BBC World News and bbc.com. Funded by advertising, sponsorship and income from pay TV operators.

Six subsidiary companies.

BBC Studioworks

Total operating costs 2019-20:
£36 million

Provides studio and post-production services to major TV broadcasters and production companies.



Public Service



Part of BBC Commercial Holdings

The BBC's income

More than 70% of the BBC's income comes from the licence fee. Total licence fee income has fallen for the past two years.

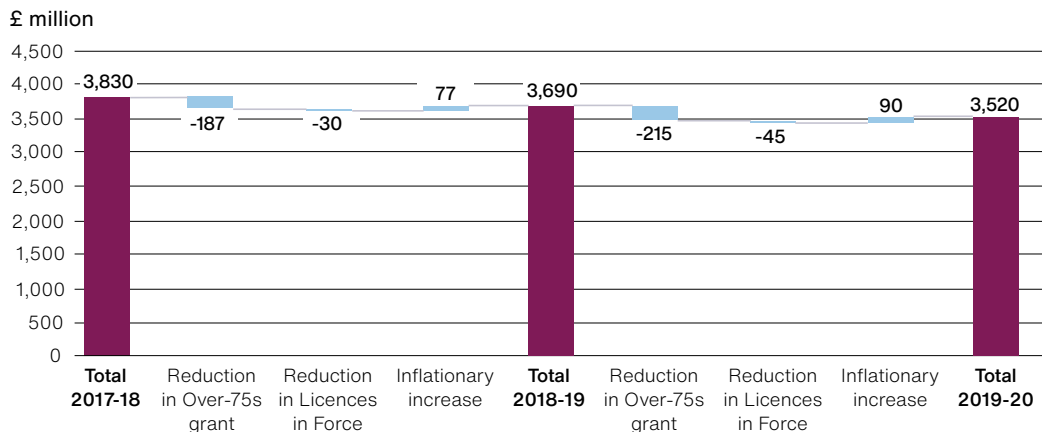
The key factors driving the reduction from 2018-19 are:

- **£215 million reduction** in the grant that the BBC receives from the Department for Work & Pensions for free licences for the over-75s. After 2019-20 no further grant payments will be made and the BBC is implementing changes to over-75s' licencing arrangements.
- **£45 million reduction** in the number of paid-for TV licences in force, declining by 1.4% from 21.6 million to 21.3 million.

This has been partially offset by 2.7% annual inflationary increase in the cost of a TV licence. The cost of a TV licence is tied to changes in the annual Consumer Price Index (CPI) rate.



Changes in licence fee revenue over the past two years

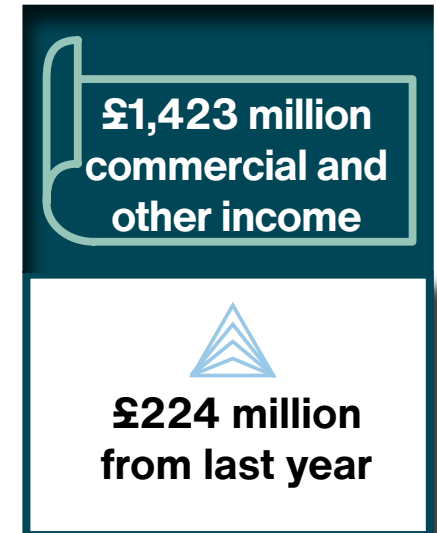


Source: National Audit Office analysis of the BBC's Annual Report and Accounts, 2019-20 and 2018-19

Nearly 30% of the BBC's income comes from commercial sources. Income at the BBC's largest commercial subsidiary, BBC Studios, increased by 17% this year.

Key commercial revenue streams:

- **Content and format sales - £456 million (increase of 8% from last year).**
The BBC agreed a number of significant content deals in the year, including a major deal with Discovery for BBC landmark natural history content and a supply agreement with Britbox, which launched in the UK in November 2019.
- **Production income - £195 million (same as last year).**
BBC Studios' production activities won 77 new commissions during 2019-20, 49 within the BBC and 28 from third parties.
- **Advertising income - £237 million (increase of 158% from last year) and subscription fees - £255 million (increase of 36% from last year).**
The BBC acquired the full shareholding of UKTV in June 2019, which it had previously held as a joint venture with Discovery. The BBC now receives 100% of income generated by UKTV through advertising income and subscription services.



How the BBC spends its money

The BBC Public Service spent £4 billion in 2019-20.

£2,777 million (70%) was spent directly on content

This is a reduction of £85 million, or 3%, from last year. This is because of the cost of major sporting events last year.

The reduction was mostly seen in television content. Investment in radio and online content remained broadly consistent. Overall, 95% of all of the BBC's spending went on content and its delivery.

Television spending totalled £1,609 million

Of television content, film and drama received the most – £356 million, closely followed by news and current affairs – £348 million. Arts and music received the least – £41 million.

Spend on the World Service was £315 million

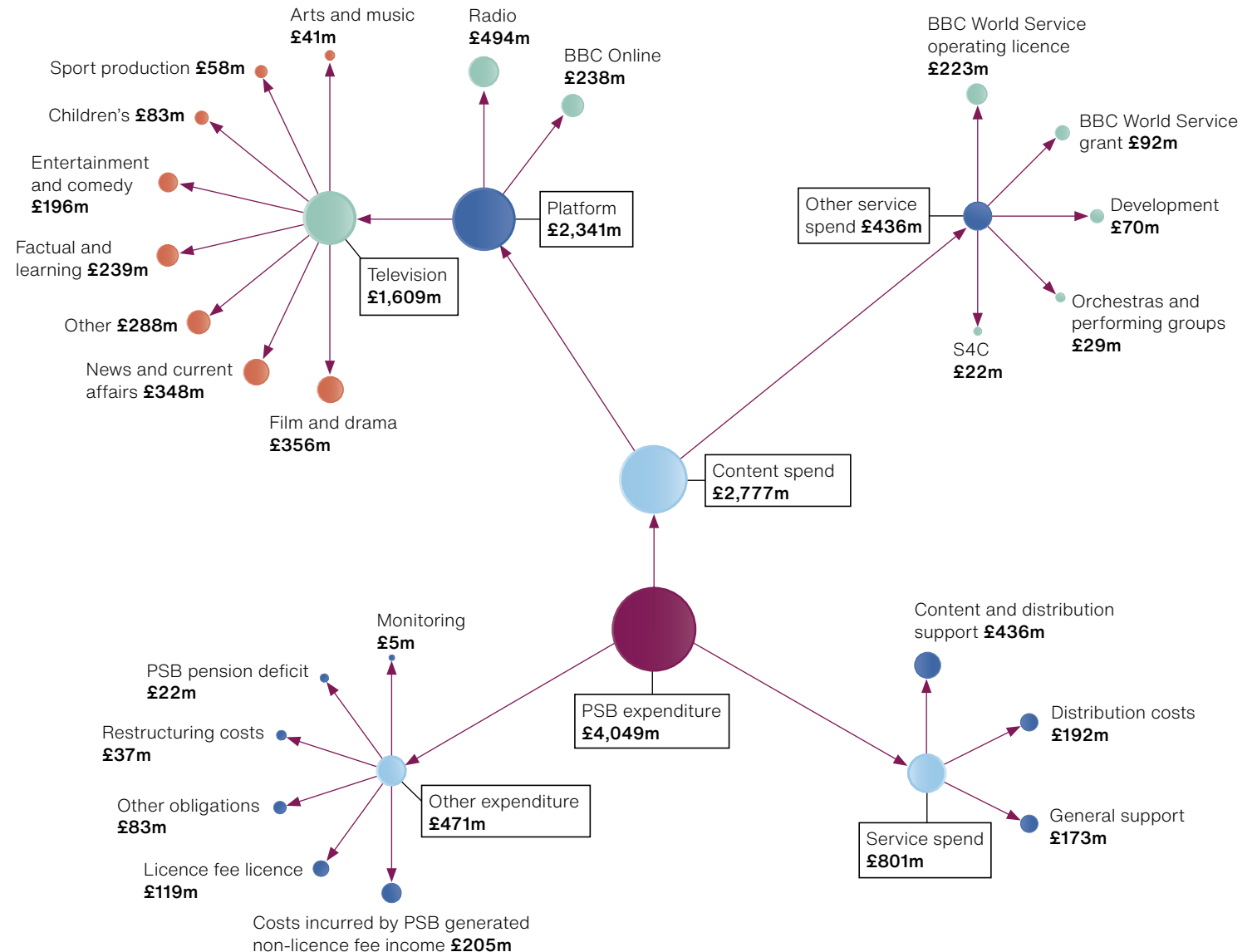
Some of this cost was funded by a grant of £92 million from the Foreign & Commonwealth Office.

Licence fee collection accounts for 3% of spending

The BBC spent £119 million on licence fee collection in 2019-20, an increase from £103 million the year before.

£801 million was allocated to BBC services

Just over half of spending on the BBC's services, effectively back-office support, was dedicated to supporting content and distribution (£436 million).



Source: National Audit Office analysis of BBC's Annual Report and Accounts, 2019-20

Overview of the BBC's accounts 2019-20

The Comptroller and Auditor General (C&AG) issued unqualified true and fair and regularity audit opinions on the BBC Group accounts in 2019-20.

The C&AG also issued unqualified true and fair opinions on the commercial subsidiary accounts in 2019-20.

The C&AG's regularity opinion relates to whether transactions in the accounts accord with: the BBC's framework of authorities; the Royal Charter; the Framework Agreement; and other agreements entered into with government ministers.

In 2018-19 the C&AG qualified his regularity opinion as the BBC had incurred expenditure in establishing a provision to settle the tax liabilities for claims that HM Revenue & Customs may have for presenters in respect of any misclassification of their employment status. As settling the tax liabilities of third parties is ex-gratia, the C&AG considered this expenditure did not accord with the Royal Charter. No such expenditure has been incurred in 2019-20 and this year's regularity opinion was not qualified.

The BBC's net deficit grew in 2019-20

The BBC's deficit increased from £69 million in 2018-19 to £119 million in 2019-20 while revenue of £4,943 million increased by £54 million since 2019-20.

Operating costs have increased by £116 million, due to growth in BBC Studios, the largest commercial subsidiary, and partially offset by a reduction in public service content spend due to major sporting events in the prior year.

Financing costs have increased by £35 million due to additional charges arising from leases, pensions and financial instruments valuations.

Cost pressures have been partially offset by savings made by the BBC. The BBC reports savings of £199 million made in 2019-20.

£4,943
total income



£54 million
from last year

£3,520 million
licence fee
income



£170 million
from last year

£1,423 million
commercial and
other income



£224 million
from last year

£5,093 million
operating
costs

(the cost of running the BBC)



£116 million from
last year

£119 million
net deficit

(all the BBC's income less all of its costs)



£50 million from
last year

Major programmes and key developments 2019-20

The accounts show a number of new developments for the BBC this year:

The acquisition of UKTV

On 5 June 2019, BBC Studios completed the acquisition of UKTV, which had previously been jointly owned by the BBC and Discovery. The BBC considers this acquisition will enable the simplification of the way in which BBC content is exploited in the UK.

The accounts show the BBC paid £173 million for the acquisition, including the assumption of £73 million of debt. UKTV contributed income of £236 million and net profit of £41 million to the BBC Group in 2019-20.

The impact of IFRS 16, *Leases*

In line with many other organisations, the BBC adopted a new accounting standard, IFRS 16, *Leases*, in 2019-20. This means that the BBC now recognises in its accounts assets and liabilities (the future costs) of many of its leases. Previously, in many cases, no assets were recognised and lease expenditure was only accounted for when incurred. This change has resulted in an additional £1.6 billion of assets and £1.2 billion of future liabilities.

The BBC has renewed its borrowing facilities but is limited in how much it can borrow

The BBC's borrowing ability is subject to limits set by the Secretary of State for Digital, Culture, Media & Sport: £2,200 million for the PSB Group and £500 million for commercial operations. However, £2,000 million of the PSB Group and £150 million for commercial operations specifically relates to leases as a result of adopting the new accounting standard IFRS 16, *Leases*, as set out above.

Both the BBC and its commercial operations have access to external credit and funding facilities. In June 2020, the BBC replaced some of these facilities, meaning arrangements for up to £580 million of borrowing are available up until 2025 (£200 million in the public service broadcaster and £380 million in the commercial subsidiaries).

The BBC has agreed a new repayment plan with its pension scheme trustees

The BBC has agreed to make additional contributions totalling £764 million up to 2028 to reduce its pension funding shortfall. The scheme is valued by actuaries every three years and the latest valuation, at 1 April 2019, showed a funding shortfall of £1,138 million (compared with £1,769 million at 1 April 2016).

Part One People

The number of BBC staff increased slightly in 2019-20

Trends in staff and pay

The number of full-time equivalent staff increased by 1.7% between 2018-19 and 2019-20.

Total salaries and wages increased by 3.4% to £1,115 million from £1,078 million in 2018-19.

Wages and salaries made up around 20% of the Group's operating costs in 2019-20.

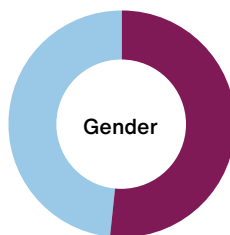
In 2018, employees were mapped to 880 roles across 27 job families and seven career bands.

Around 323 people were paid above their new pay range and band in March 2020.

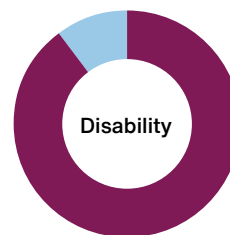
Among the UK senior leaders in PSB, two had annual earnings of £350,000 or more in 2019-20.

There is more information about pay fairness at the BBC on page 12.

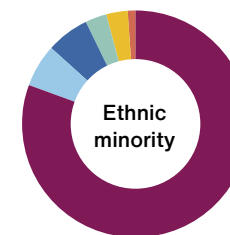
Workforce in the BBC Group 2019-20



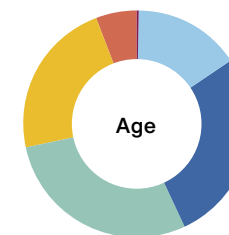
Men	51.7%
Women	48.3%



Non-disabled	89.8%
Declared disabled	10.2%



White British	80.7%
Other White background	6.2%
Asian	6.1%
Black	3.1%
Mixed ethnicity	2.9%
Other BAME	1%



<20	0.3%
20-29	15.3%
30-39	27.5%
40-49	28.7%
50-59	22.6%
60+	5.6%

Staff breakdown (full-time equivalent, average across 2019-20)

	PSB Group	BBC Studios	Other commercial	Total	Casual contracts	PSB Group	BBC Studios	Other commercial	Total	Casual contracts
	2019-20	2019-20	2019-20	2019-20	2019-20	2018-19	2018-19	2018-19	2018-19	2018-19
Staff numbers	19,572	2,672	505	22,749	1,409	19,231	2,641	456	22,328	1,350
Total employment cost (£m)				1,532					1,480	

Pay multiples 2019-20

	2019-20	2018-19
Director General median earnings	9.9	10.2
Executive director median earnings	6.9	7.0
Director General earnings (£000)	450	450
Pan-BBC median earnings (£000)	45.5	44

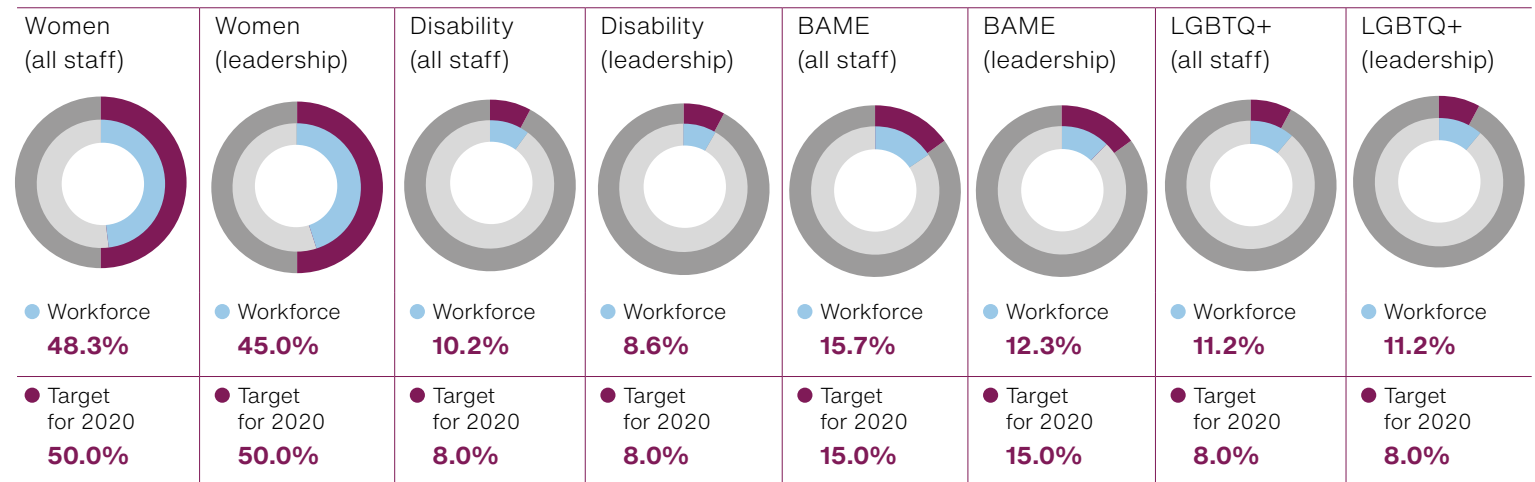
Source: BBC Group Annual Report and Accounts 2019-20

The BBC is working to improve its diversity and inclusion, but has yet to hit some key targets

The BBC's fourth public purpose, as set out in its Charter, is to reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the UK.

Percentage of all staff and leadership in the BBC workforce by diversity characteristic as at 31 March 2020

The BBC's performance on its targets for diversity in its workforce is mixed



Source: BBC Group Annual Report and Accounts 2019-20

Reflecting the UK in its personnel

The BBC has a number of initiatives designed to encourage diversity, including:

- developing a Disability Passport, to ensure that workplace adjustments remain in place;
- BBC Elevate: an initiative giving disabled people experience on flagship BBC shows;
- creation of a Head of Workforce Diversity and Inclusion post; and
- its 50:50 project to ensure equal representation of men and women on-screen, on-air and in lead roles.

The BBC plans to introduce a new diversity strategy later in 2020 to run to 2023.

Improving diversity in commissioning

The BBC allocated £100 million of its commissioning budgets over three years from 2021-22 to represent the public better across all genres.

The BBC has a new mandatory 20% diverse-talent target in all new network commissions from April 2021.

The BBC's Diversity Commissioning Code of Practice applies to the commissioning of content across TV, radio and online services in the UK.

It has **five** principles:

- 1 **The BBC should lead by example.**
- 2 **Portrayal on screen should be authentic.**

- 3 **Casting should be open and fair.**

- 4 **A diverse workforce makes for better content.**

- 5 **Effective measurement.**

The Code of Practice sets out what the BBC expects from the producers, writers, directors and other suppliers it works with.

The BBC ran its Content Commissioner Development Programme for the third time in 2019-20. It is a training and development scheme that offers BAME or disabled TV professionals the opportunity to develop their commissioning skills. The scheme is in its third year and offers six year-long placements.

The BBC is seeking to address its gender pay gap

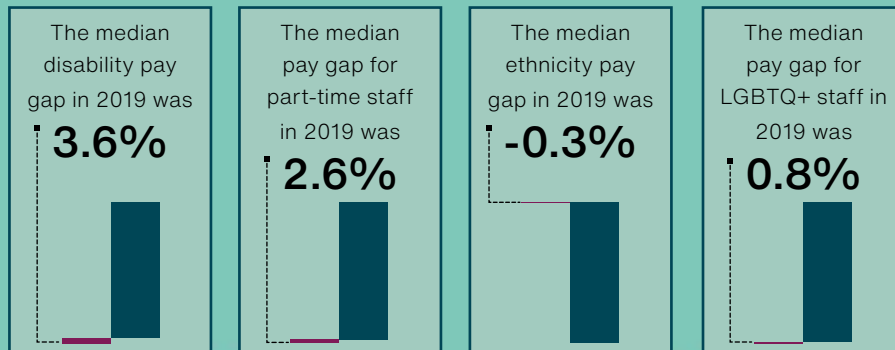
Key points from our 2019 report on *Managing the BBC's pay-bill*

The BBC was continuing the reforms to workforce management set out in our 2017 study and had reviewed its terms and conditions. This had resulted in significant reforms, such as redefining jobs and linking these to market-informed pay ranges. We identified that embedding these changes required significant goodwill and culture change, and that the **BBC was putting in place measures to try to achieve this change.**

The BBC had taken **big steps in improving consistency and fairness** and is well ahead of other organisations with regards to pay transparency.

The BBC voluntarily publishes data on other pay gaps

The BBC voluntarily publishes its ethnicity, disability, sexual orientation and part-time staff pay gaps.



The BBC's gender pay gap is narrowing but not yet at target

The BBC has a target to close its gender pay gap in its public service function to within

3%

by 2020.

The BBC group's median gender pay gap was

6.2%

in 2019/20, compared with **6.7%** last year. The **national average is currently 8.9% for full-time staff and 17.3% for all staff.**

The BBC has calculated that in its most common jobs (journalist, senior journalist, producer, senior journalist, reporter, assistant editor) its gender pay gap is under

3%

BBC Studios has a wider median pay gap:

10.3%

in 2019, **down from 14.1%** in 2018.

Equality and Human Rights Commission investigation of BBC pay equality

The Commission is using its [powers under the Equality Act](#) to investigate whether BBC staff experienced unlawful pay discrimination from 1 January 2016, following a review of terms and conditions.

Originally aiming to publish in November 2019, the Commission now aims to publish its findings, any action it has taken and recommendations for the BBC once the investigation is done. It aims to complete its investigation in the autumn of 2020.

In January 2020 presenter Samira Ahmed won the employment tribunal she brought against the BBC in a dispute over equal pay. The BBC has settled seven other complaints prior to employment tribunal in the past three years. A further 11 tribunal cases were in progress on 12 March 2020.

Part Two

The BBC's audiences

BBC TV is attracting fewer viewers, but online is growing

BBC Television and radio use 2018-19 to 2019-20



Most **BBC TV channels** are attracting **slightly fewer viewers** but the **amount of time spent with each channel is largely holding up**. By contrast, **BBC's radio listening time is down**.

BBC Bitesize is popular with young people



73%

of secondary school pupils in 2019-20 used BBC Bitesize for learning.

83%

of under-16 Bitesize users in 2019-20 said the service helped them understand their studies.

iPlayer use grew in 2019-20



Number of signed-in accounts rose by

42% to 9.1 million

4.8 billion

requests to stream programmes.

12%

of BBC television viewing is through iPlayer.

BBC News Online usage increased by 27%



BBC News Online received

42 million

unique visits from UK browsers each week in 2019-20, compared with **33 million the previous year**.

29%

of UK adults now use it each week.

World Service: online is compensating for radio and TV



The number of people accessing BBC World Service Online increased by

96.2% to 116 million

people in 2019.

World Service television's weekly reach fell by

0.4% to 137 million

people in non-English languages and its **radio weekly reach fell by 1.5% in English and other languages to 160 million people**.

BBC Sounds had 3.6 million weekly accounts at the end of 2019-20



BBC TV is attracting fewer viewers, but online is growing *continued*

Value for money:

UK adults rated the BBC as **5 out of 10** on average



What UK adults think of the quality and creativity of the BBC's content/services, 2019-20



think it is original. **16%** think it is not.



think it caters for a wide range of tastes. **15%** think it does not.



think it sets a high standard for creativity. **16%** think it does not.



think it sets a high standard for quality. **13%** think it does not.

Audiences appreciate the contribution the BBC makes to the UK

Audience opinion of the BBC and other media organisations

Of all the media providers (TV, radio, newspaper, magazine, website, app or social media), which one does the most to/has the most

Reflect the UK around the world	Content and services relevant to people in the UK	Reflect life in different parts of the UK	Help people in the UK understand and engage with the world around them	High-quality content and services for people in the UK	Distinctive content and services for people in the UK	Help people in the UK learn new things	Creative content and services for people in the UK
● BBC 57% ● ITV/SKY 5%	● BBC 51% ● ITV 7%	● BBC 49% ● ITV 9%	● BBC 49% ● Google 7%	● BBC 48% ● ITV 7%	● BBC 43% ● ITV/SKY/ YouTube 6%	● BBC 42% ● YouTube 11%	● BBC 37% ● YouTube 9%

Note

1 Based on an Ipsos MORI survey of 2,341 UK adults aged 16+, conducted in February and March 2020.

Source: BBC Group Annual Report and Accounts 2019-20

The BBC needs to appeal more to some of its audiences

The BBC wants to better meet the needs of 'underserved' audiences

The BBC is trying to increase its appeal across different audiences, including:

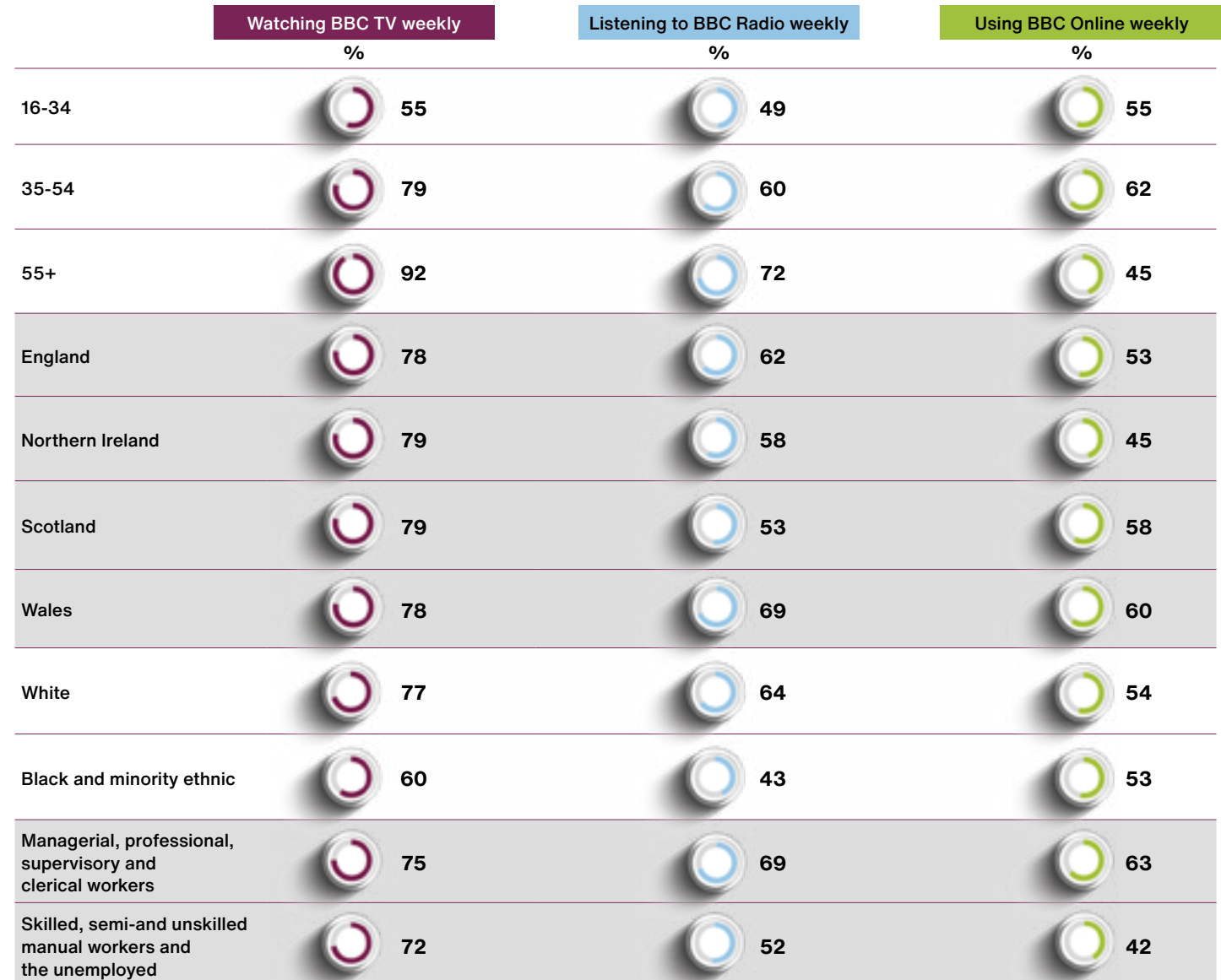
- young audiences;
- audiences in different parts of the UK;
- black and minority ethnic groups; and
- audiences of different socio-economic groups.

What are the issues?

Key messages from audience engagement sessions during 2019-20 were that:

- watching on demand is becoming the norm;
- iPlayer is valued but usually used to find something viewers already know about;
- many still listen to radio as programmed but use of on demand content is growing;
- broad respect for BBC, but younger audiences feel that it is a bit out of date;
- many want more light-hearted content; and
- desire for more regional representation.

Key demographic groups use BBC services less (UK, aged 16+)



The BBC needs to appeal more to all its audiences *continued*



Ofcom's warning

Like all PSBs, the BBC is vulnerable to the rapidly changing media landscape, particularly in its struggle to attract and retain younger audiences. Unless it can address this, its ability to deliver its mission and public purposes to the same level in future will be at risk.

The BBC's response to Ofcom's concerns

The BBC has set out what it will do to engage younger audiences. This includes:

- shifting spending into commissioning TV, radio and online content for younger audiences;
- expanding iPlayer and BBC Sounds' content and functionality and a new version of the News Online app;
- considering how to develop BBC Three online and possibly making it a linear channel again; and
- setting new goals for the use of video, audio and online services by younger audiences.



Making payment easier for low-income service users

In July 2020, the BBC introduced new licence fee payment plans for low-income users to make payment easier for those who have difficulty paying using the BBC's existing payment methods.



Actions planned to appeal to more diverse audiences

Several events and initiatives designed to help build a more ethnically diverse content and talent pipeline.

Continuing to move its operations out of London and into the regions.

The BBC is offering additional services designed to respond to audiences' changing demands

The iPlayer service has been expanded

- The BBC has expanded iPlayer content in the past year. It now carries BBC programmes for 12 months, has full box sets, and a selection of programmes from the archive. The BBC has also created an iPlayer experience specially for children.
- iPlayer viewing increased by 38% over 2019-20, with more growth since the COVID-19 lockdown. In the first half of 2020 there were 3.1 billion requests to stream programmes, up by 47% on the same period in 2019.
- The BBC plans to expand the measurement and reporting of iPlayer use over the next two years.

Use of BBC Sounds is growing

- BBC Sounds carries all of the BBC's audio offerings: music, podcasts, and radio. It was launched in October 2018 as a replacement for iPlayer Radio.
- Just over one million people used BBC Sounds each week at the start of 2019. By March 2020, it was servicing around 3.6 million accounts a week.
- For 2021-22, the BBC target for the use of BBC Sounds is 3.5 million to 4 million weekly signed-in accounts.
- The BBC plans to invest in making BBC Sounds easier to use. It will put more of its audio back catalogue on it and start to include non-BBC podcasts.

BritBox launched in the UK

- In November 2019 the BBC and ITV launched BritBox UK. BritBox aims to make money from the BBC and ITV's back catalogues. To date, the BBC has made 2,000 hours of programmes available through BritBox UK. The total number of content hours on BritBox is 4,900, compared with 36,000 on Netflix and 57,000 on Amazon Prime.
- BritBox was launched in the USA in 2017. More than one million people hold subscriptions in North America.
- The BBC holds a 10% stake in BritBox UK. It is majority owned by ITV with a content supply agreement with BBC Studios. Ofcom research found that 3% of online adults (an estimated 1.6 million) had access to a subscription at the start of July. Since April 2020, BritBox has faced competition from Acorn TV, which focuses on British content.
- BritBox will launch in Australia in 2020.

The BBC now controls a range of Freeview channels

- In June 2019 the BBC acquired 100% of the shares of UKTV, which offers seven Freeview channels including Dave, Gold and Yesterday, and an online streaming service (UKTV Play).
- The BBC's rationale for taking full ownership is that it simplifies the way that the BBC's rights are exploited in the UK.
- BBC content makes up around half of UKTV's schedule and around 60% of its viewing.



Part Three

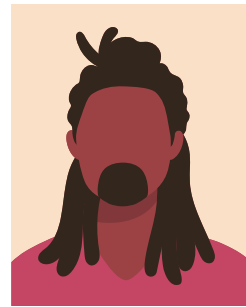
New markets

The BBC faces complex and rapidly evolving markets

Competition from subscription video on demand services is intensifying

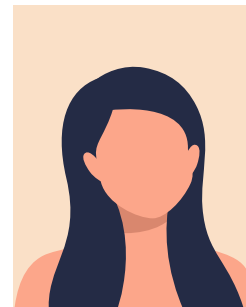
- Alongside the launch of the BBC's BritBox, 2019-20 saw several new competitors enter the market including AppleTV+ and Disney+.
- At the start of 2020, 15 million UK households had subscription services, 1.7 million more than in 2019. Netflix leads, with 13 million accounts.
- Ofcom estimates that 12 million online adults accessed a new subscription service during the COVID-19 lockdown – three million for the first time.
- In addition to competition for viewers, the high prices some subscription services will pay for content means the BBC is facing price inflation in genres such as drama and comedy.

The BBC reaches nearly everyone in the UK



91%

of adults used the BBC each week during 2019-20.



80%

of 16 to 34-year-olds used the BBC each week on average in 2019-20.

However, viewing habits are changing especially among young people



Viewers – especially **16 to 34-year-olds** are increasingly using online services, such as Netflix and YouTube.



Television is also facing stiff competition from **other screen-based entertainment such as gaming.**



Ofcom reports that **35% of adults** see themselves **no longer watching public sector broadcasting TV channels within the next three years** – more than half of **16 to 34-year-olds** say the same.



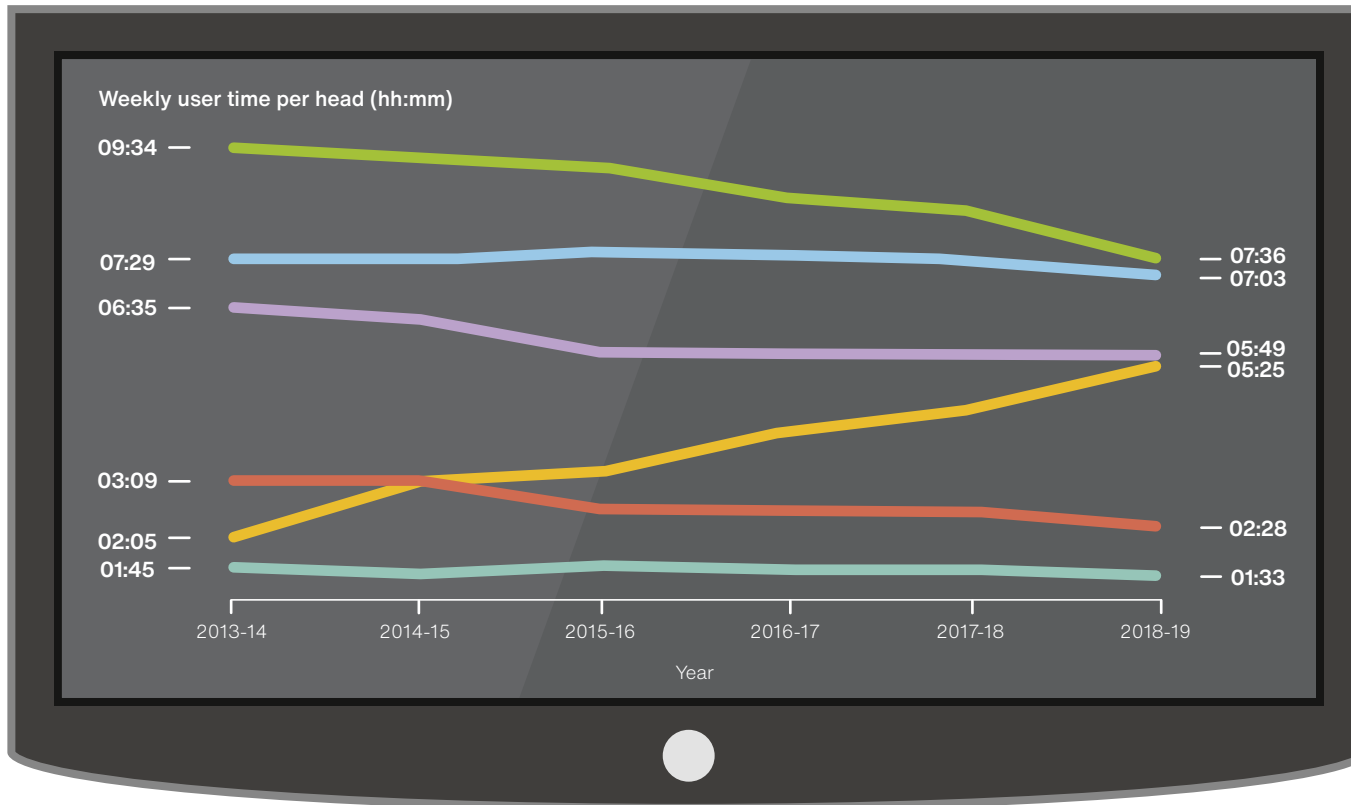
The BBC has made **engagement with younger audiences** a strategic priority.

Like other public service broadcasters and broadcast television overall, BBC television's audiences have fallen

The BBC remained the most used television service in 2018-19.

Average weekly time per head spent using the TV set per week (hh:mm, adults aged 16+, 2013-14 to 2018-19)

Time spent viewing BBC television fell between 2013-14 and 2018-19



— All BBC television
 — Other broadcast TV channels
 — All ITV television
 — All Channel 4 television
— Other uses of the TV set¹
 — All Channel 5 television

Notes

¹ Includes SVOD (subscription video on-demand), gaming and DVDs.

² The BBC Group's 2019-20 Annual Report and Accounts does not include an update of these data.

Source: The Broadcasters' Audience Research Board data based on a sample of TV-owning households

Market changes make it increasingly important that the BBC owns the intellectual property rights to its content

- Intellectual property (IP) rights are owned by the producers of content, not the organisation that commissioned the programme. Production companies use their IP rights to sell or license the right to show a programme to distribution companies.
- The new global subscription video providers have been willing to pay more for worldwide rights.
- The BBC's response to market changes was to create BBC Studios to generate its own IP (see page 23).

Part Four

COVID-19

COVID-19 prompted the BBC into swift action

The BBC adapted its programming

Examples included:

- broadcasting news and current affairs programmes such as the government's daily press briefings, broadcast live on *BBC News Special* programmes;
- from March to May, BBC One ran *HealthCheck UK Live*, designed to give information and company to viewers in isolation; and
- BBC Arts' *Culture in Quarantine* showcased the arts, such as ballet, during the crisis.

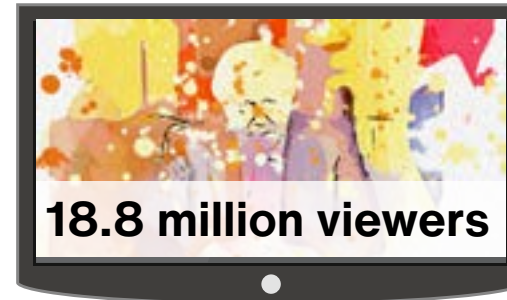
Additionally:

- in the first week of lockdown, 94% of UK adults used a BBC service; and
- Ofcom reports that the BBC was the most important source of information for people about the Coronavirus outbreak.

Number of viewers for the top five most watched programmes in the first half of 2020

The BBC broadcast the top five most watched programmes in the first half of 2020

Ministerial Broadcast from the Prime Minister, 10 May



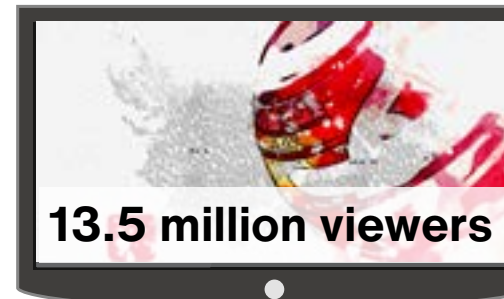
Prime Minister's statement, 23 March



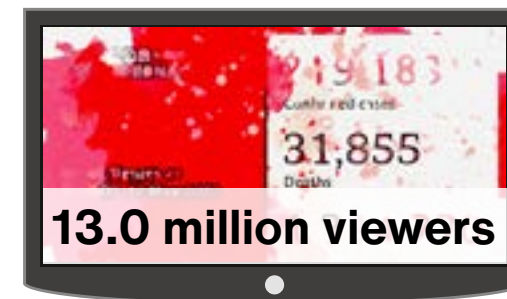
Address by HM the Queen, 5 April



BBC News Special, 23 March



BBC News Special, 10 May



The BBC faced immediate challenges in filling its schedules

- The pandemic meant the media industry across the world faced a hiatus in production and delivery of programming. The BBC paused production of many of its programmes.
- Sporting and live events were postponed or cancelled, leaving big gaps in schedules.

The BBC has tried to support the media sector

Examples include:

- flexibility with production companies about delivery;
- doubling its contribution to a fund for small independent production companies; and
- issuing operational guidance on managing COVID-19 risks for independent producers making BBC programmes.

The BBC has helped tackle disinformation

The BBC, along with other major news and tech organisations, put in place a shared alert system designed to identify and stop the spread of COVID-19 disinformation.

The BBC rethought its employment patterns

The BBC response included:

- more than 85% of staff working remotely, with extra support and guidance for staff working at home and those in jobs that put programmes on air.

The BBC supported home schooling

- BBC Learning's Bitesize offering free online study for school-age children offered 14 weeks of home learning to every household. By the end of the summer term, the BBC had published nearly 2,000 Bitesize lessons online.
- The number BBC Bitesize online browsers was more than five million in the first week of the summer term, three times the equivalent figure from the previous year.
- Bitesize was made available on the Red Button which meant that children without access to the internet could use it.



Part Five

Issues to look out for

The BBC faces a range of significant and immediate challenges

New leadership

Lord (Tony) Hall, the BBC's Director General since 2012, was replaced by Tim Davie in September 2020.

Tim Davie's previous role as chief executive officer for BBC Studios is being temporarily covered by the chief financial officer, Tom Fussell. His permanent successor has not yet been announced.

Sir David Clementi, the BBC's chairman, will leave office in February 2021. His successor has not yet been appointed.

Licence fee uncertainty

The BBC regards a number of forthcoming developments as putting its licence fee income at risk.

- In 2021 the government and BBC are due to negotiate over the level of the licence fee after 2022, after the end of the current agreement to raise the amount in line with inflation every year.
- The BBC estimates that the government's decision to stop funding of TV licences for the Over-75s will cost it around £250 million by 2021-22.
- There is increased licence fee evasion, which rose from 6.57% to 7.25% over the past year, and the government is now consulting on decriminalising this.
- The long-term economic impact of the Coronavirus pandemic could reduce the ability of households to pay the licence fee.

Efficiency cuts to national, regional and local news

In early 2020, as part of BBC's wider £800 million efficiencies programme, the BBC announced that it would be making £80 million of recurring savings plans from modernising its newsroom. In June 2020, the BBC also announced a restructuring of the nations and regions division.

BBC News plans to have fewer reporters overall, with more correspondents working across a range of content rather than a specific programme.

The BBC is preparing for the 2022 mid-term Royal Charter review

The scope of the review is limited to governance and regulation.

The Secretary of State for Digital, Culture, Media & Sport will set the exact scope, terms of reference and timing of the review after consulting with the BBC, Ofcom and the Scottish, Welsh and Northern Ireland ministers.

Ofcom is currently reviewing public service broadcasting

Under the Communications Act, Ofcom is required every five years to conduct a review of how well public service broadcasting in the UK is performing. It covers all public sector broadcasters, not just the BBC.

According to Ofcom, it is time for a broad appraisal of the PSB system to ensure that the purposes and objectives set out in legislation can continue to be met.

Part Six

Our value-for-money work on BBC Studios in 2019-20

What BBC Studios was designed to do

- The BBC is facing increased competition for content to broadcast and commercialise, and for the talent behind the creation of this content.
- The BBC created BBC Studios in response to this challenge. It creates content for the BBC and non-BBC clients, and distributes this to third parties in the UK and overseas.
- BBC Studios merged with BBC Worldwide in 2018. We reported on its progress in January 2020.

There was a clear rationale for creating BBC Studios

- The BBC's strategic rationale was for the merged company to be a creator, producer, owner and distributor of content for customers globally.
- In merging the companies, the BBC followed media market trends: its major UK competitors operate integrated production/distribution businesses.

In January 2020 we published our report on the formation of BBC Studios

Sales are lower, but profits higher, than forecast

In 2018-19, BBC Studios':

- sales fell by 3% to £1,373 million from £1,411 million in 2017-18;
- profits increased by 51% to £159 million; and
- profit margin was 13.4%, exceeding the target range of 9% – 11% set by the BBC Board in 2018.

Profits were boosted by a natural history back catalogue deal with Discovery, and because of strong performance of its commercial channels.

It is not clear how well the merger is achieving the expected non-financial benefits

- Neither the BBC nor BBC Studios set metrics for assessing progress in achieving non-financial benefits. This means they cannot easily identify whether they have been delivered.
- There are gaps in BBC Studios' reporting of non-financial performance. In November 2019 the BBC proposed measures but there are still areas for improvement.

BBC Studios' response to the dynamic commercial environment has shifted the nature of the risks it faces

- BBC Studios has been less successful than planned in winning new commissions: only four of its forecast 16 top revenue-generating in-house shows in 2019-20 were produced after 2010.
- BBC Studios needs to manage carefully the increasing risk profile arising from its exposure to new risks and the strategic challenges posed by the fast-developing market.

The BBC has changed how it governs BBC Studios, but we cannot yet tell how effective these changes will be

- The BBC has restructured and strengthened the governance of its commercial activities to take account of the merger.
- It is too early to tell how effective changes to terms of reference and improvements to governance made in April 2019 will be in practice.