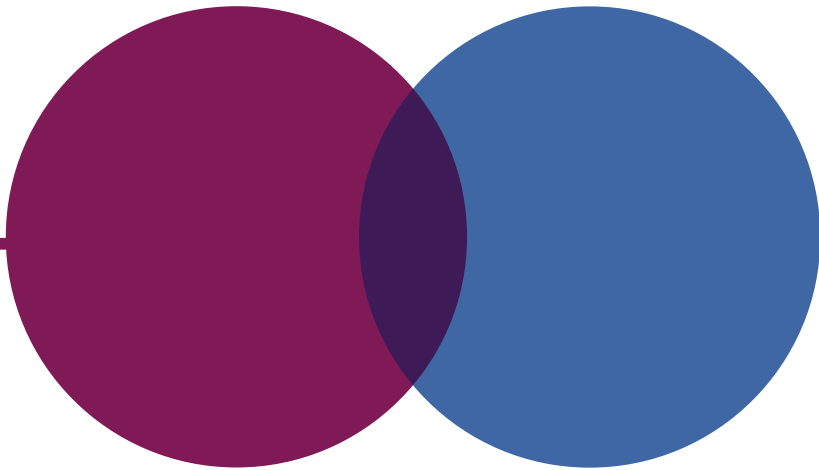




National Audit Office



# BBC savings and reform

BBC


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**REPORT**

**by the Comptroller  
and Auditor General**

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**SESSION 2021-22  
17 DECEMBER 2021  
HC 958**



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# BBC savings and reform

**BBC**

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## **Report by the Comptroller and Auditor General**

Ordered by the House of Commons  
to be printed on 15 December 2021

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

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**Gareth Davies**  
**Comptroller and Auditor General**  
**National Audit Office**

**14 December 2021**

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## Key facts



**£3.75bn**

BBC income from licence fee 2020-21



**£1bn**

BBC target for annual savings by 2021-22, increased in 2020 from £800 million



**£971m**

Annual savings forecast to be delivered by 2021-22



**52%**

Proportion of the £971 million from reductions and changes to content, and the scope of the services



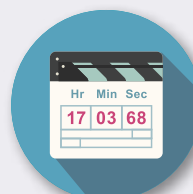
**36%**

Proportion of the £971 million from productivity improvements



**12%**

Proportion of the £971 million from income generation



**12%**

12%: Real-terms reduction in BBC content spending between 2016-17 and 2020-21



**22%**

Increase in the proportion of BBC 1 programming hours that are repeats between 2016-17 and 2020-21, in part due to COVID-19 pandemic from March 2020

# Summary

**1** The BBC is the UK's main public service broadcaster (PSB), providing a wide range of television, radio and digital services.<sup>1</sup> The BBC's mission, as set out in its Royal Charter, is to inform, educate and entertain. Under its Charter, the BBC undertakes five public purposes. These include providing impartial news and information and reflecting the UK, its culture and its values to the world. The BBC is independent of government but is sponsored by the Department for Digital, Culture, Media & Sport (the Department) and regulated by Ofcom, the communications regulator.

**2** The BBC is primarily funded by payment of the television licence fee, receiving £3.75 billion from this in 2020-21. However, in recent years it has experienced a fall in both its audience share and in the number of people buying a licence as people do not need to buy a licence if they do not watch any licensable content.<sup>2</sup> Between 2016-17 and 2020-21, its income from the licence fee fell in real terms by more than 8%. As of December 2021, the BBC and government were negotiating on the level of the licence fee after 2021-22.

**3** The BBC's cost pressures are heightened by the high level of inflation in the television and film industry. Additionally, the BBC is seeking to invest in developing its services to provide greater value to audiences and meet the needs of those viewing groups it regards as under-served. In September 2020, the BBC announced its new strategic priorities aimed at delivering value for all its audiences (**Figure 1** overleaf).

1 Public service broadcasting is defined as the collective output of specified television services designed to meet purposes and objectives set by Parliament.

2 Live programmes shown on any TV channel or on online TV services, such as ITV Hub or Amazon Prime Video, and programmes shown on BBC iPlayer.

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## Figure 1

### The BBC's strategic priorities

In September 2020, the new Director-General set four key strategic priorities, all enabled by creating a modern, highly efficient BBC



Source: Tim Davie's introductory speech as BBC Director-General, 3 September 2020

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4 To fill the gap in its finances resulting from the 2015 licence fee settlement, the BBC is undertaking a five-year programme to deliver targeted savings of just over £1 billion a year by 2021-22. The BBC is seeking to close the gap in its finances through a combination of:

- **productivity improvements:** measures where the BBC sets out to produce the same or additional output with either reduced or less costly inputs. For the BBC, these improvements can include reducing the amount of accommodation it occupies, greater use of technology, improved contracting for goods and services, workforce restructuring and keeping content prices at the same level;
- **reductions to the content and scope of BBC services:** measures where the BBC does fewer things. Examples include cancelling certain television programmes or reducing spending in certain areas to focus on output most valued by its audiences;
- **changes to the scheduling mix:** measures to change the mix or quality of content while avoiding an adverse impact on overall performance. Examples include switching funding from genres or programmes which are more expensive and/or less popular with audiences to higher-performing and/or less expensive output, without reducing content hours. This is a new category of savings separately identified by the BBC from 2017-18; and



- **income generation from third parties:** the BBC is seeking to increase the financial contributions made by other organisations working in partnership on BBC-commissioned television programmes and the dividends received from its commercial subsidiaries, without detracting from its core, public service values.
- 5 This report examines the BBC's:
- progress in delivering its savings (Part One);
  - approach to delivering the savings in the three specific BBC divisions – Content, Nations and News – which have delivered most of the BBC's savings since 2019-20 (Parts Two and Three); and
  - plans to deliver further savings and reform after 2021-22 (Part Four).

## Key findings

The BBC's performance against its savings targets

### **6 The BBC is forecast to exceed its original savings target of £800 million a year by 2021-22 and is largely on track to meet its increased target of £1 billion a year.**

In February 2017, following the 2015 licence fee settlement, the BBC introduced a programme to deliver £800 million savings a year by 2021-22. In 2020, with less than two years left of this programme, it increased this target to £1,012 million, reflecting both the estimated financial impact of the COVID-19 pandemic and its decision to continue to offer free licences to some over-75s. In September 2021, the BBC forecast that it would deliver savings of £971 million a year by March 2022, only 4% (£41 million) below its increased target and substantially above the original £800 million. This is the latest in a series of savings programmes the BBC has undertaken in recent years, responding to falls in its income following both reduced licence fee settlements and a decline in the number of households paying the licence fee (paragraphs 1.3 and 1.6 to 1.8 and Figure 4).

### **7 The BBC has made fewer new savings from improvements in productivity over time.**

In its previous savings programmes, the BBC focused primarily on productivity improvements to deliver savings. For example, 70% (£505 million) of the savings delivered under the previous “Delivering Quality First” savings programme, which ran for five years to 2016-17, came from such improvements. Over time, the BBC has found it increasingly difficult year-on-year to make savings through productivity improvements and its overhead and indirect costs now compare well against comparable organisations. As a result, in September 2021, the BBC estimated that 36% (£350 million) of the annual savings due by 2021-22 would come from productivity improvements (paragraph 1.10 and Figure 5).

**8 The BBC is now making a greater proportion of its cost reductions from audience-facing parts of its business.** Until 2019-20, the BBC sought to limit reductions in the amount of television and radio content it offers. Instead, it focused on drawing savings from improvements in productivity, particularly in its back-office divisions. The BBC's decision to make savings from productivity improvements first means that it now needs to deliver most of its savings from its more audience-facing operations. As a result, in September 2021 the BBC estimated that 52% of its annual savings of £971 million by 2021-22 would come from cuts to content and the scope of services (41%) and from changes to the scheduling mix (11%). This contrasts with 28% under the previous savings programme (paragraph 1.11 and Figure 5).

**9 The BBC has sought to enhance its content spending by seeking third-party funding for productions.** As of September 2021, the BBC forecast that £116 million (12%) of the £971 million annual savings would come from income generation, a significant increase on the £14 million (2%) delivered under the "Delivering Quality First" savings programme. This increase has mainly been driven by a rise of 84% since 2016-17 in the amount of third-party funding of BBC-commissioned productions to £385 million in 2019-20, although this funding fell significantly in 2020-21 due to the impact of the COVID-19 pandemic. The BBC's increased use of third-party funding potentially poses a risk to the long-term value for money that it can realise from its intellectual property as the BBC has traded some of its rights to content. It has traded potential but uncertain long-term returns, in order to secure guaranteed funding to meet short-term cost pressures (paragraphs 1.12 and 2.9 and Figure 9).

**10 The BBC has reduced the amount of broadcast television it offers licence fee payers while also expanding options for accessing this content.** BBC spending on content has fallen by 12% in real terms since 2016-17, mainly due to the impact of COVID-19 in 2020-21. This fall has coincided with a period of high inflation in the television and film industry. Although the amount of new broadcast television content provided by the BBC's Content division increased by almost 3% between 2016-17 and 2019-20, this increase arose from acquiring more completed television programmes from other companies. Over the same period, the amount of new content the division itself commissioned fell by 5%. There has also been an increase in the volume of repeats shown across the BBC's three main television channels over the same period. There was a 22% increase in the proportion of repeat programming on BBC 1. This was partly due to COVID-19, but also because of the BBC's strategy for addressing changing audience viewing habits within a finite budget. The reduction in content has occurred in parallel with the BBC introducing measures designed to improve audience access to that content, including the increased availability of content on iPlayer and the launch of BBC Sounds. Prior to the COVID-19 pandemic, the BBC experienced declines in its audience figures in the face of increased competition and changes in audience viewing habits, and there is a risk that the reduced volume of content will further this decline (paragraphs 2.7, 2.8 and 2.10 to 2.12, and Figures 8 and 10 to 12).

**11 The BBC's pay reforms have not been a major part of its savings programme.**

Between 2016-17 and 2020-21 the BBC's staff costs fell by less than 2% in real terms as a result of measures it took. These measures included reforms to the terms and conditions of its workforce. According to the BBC, these reforms were designed to improve fairness, transparency and consistency and had a broadly cost-neutral effect on its pay-bill. The BBC spent almost £180 million on making more than 1,800 staff redundant when delivering savings between 2017-18 and 2020-21. Despite this, the overall number of BBC staff fell by less than 1% between 2016-17 and 2020-21, mainly because the BBC recruited more than 1,100 staff as part of a Foreign, Commonwealth & Development Office-funded expansion of the BBC World Service. Excluding these new externally funded posts, the underlying size of the BBC workforce fell by almost 6% between 2016-17 and 2020-21 (paragraphs 1.14 to 1.16 and Figure 7).

The BBC's implementation of its savings programme

**12 The BBC's approach to the planning and delivery of its savings could be improved.**

The BBC initially takes a top-down approach to setting savings targets, with its divisions then identifying and implementing the measures required to meet these targets. In some areas, divisions did this without use of complete data. The BBC reduced staff numbers in the English regions, but its decisions on where to make these reductions did not always draw on underlying data about each region. The staffing reductions may have contributed to the BBC's difficulties in providing a full service in times of high staff absence, including the temporary suspension of local breakfast news bulletins in England during summer 2021. We found no evidence that the BBC is taking a consistent approach to applying lessons from implementing savings measures across the organisation. There are also certain areas, such as in the Nations and News divisions, where the BBC does not consider that there is any further useful benchmarking it can do, either internally or externally, to identify potential savings, and it uses only general market intelligence data. When deciding on any changes to its schedule of television and radio programmes, the BBC assesses the potential audience impact and monitors how the changes then perform. However, in terms of specifically monitoring the impact of its savings programme, the BBC does not record the impact of individual savings measures on, for example, content hours or audience engagement as, in cases involving measures relating to back-office functions, it considers there is no direct link between these measures and such impacts (paragraphs 1.17 to 1.20 and 3.12 to 3.14).

**13 The extent to which the BBC has achieved savings from transformation varies between different parts of the organisation.** Under its Modernising BBC News initiative, the BBC intends to completely transform how its News division produces content, with the focus switching to producing story-led content which can be shared more easily across its radio, television and online platforms, and with greater use being made of audience data to understand the types of stories that audiences want. The Nations division has also made significant changes in, for example, its radio scheduling, but in some areas change has been more incremental. For example, although news operations in Wales are also implementing the Modernising BBC News initiative, its other news operations have delivered savings without introducing such a radical transformation (paragraphs 3.4, 3.11 and 3.15, and Figure 13).

**14 The BBC's delivery of savings has been slower than planned in its News and Nations divisions.** The BBC delayed implementing more significant savings measures in its Nations and News divisions more than once. This was initially because it prioritised coverage of Brexit and the UK general election. It then had to delay the savings measures again to ensure that it could respond to the COVID-19 pandemic. It was also aware that the measures were likely to be difficult to implement due to potential opposition from staff, as they involved significant redundancies, and from the public. The BBC did not start implementing the savings measures until July 2020. According to the BBC, each month of delay cost it about £1.7 million a month in lost savings in its News division. Although the BBC will complete redundancies in its Nations division by the end of 2021-22, the Modernising BBC News initiative will still not be fully introduced by then. According to the BBC, this is due, in part, to the difficulties in introducing changes when many staff have been working remotely during the pandemic. These delays have affected BBC News's investment plans and the delivery of measures designed to serve its audiences better (paragraphs 3.6 and 3.10).

The BBC's future delivery of reforms and savings

**15 The BBC plans to embark immediately on a new savings programme in 2022-23, but the outcome of ongoing licence fee negotiations could significantly increase the amount of savings it will need to deliver.** In January 2021, we reported that the BBC had not fully analysed potential changes to the licence fee and the possible impact of these on its operations.<sup>3</sup> Subsequently, the BBC has undertaken financial modelling which showed that the gap between its income and its expenditure by 2027-28 would require it to make savings of at least a roughly similar magnitude to those it has delivered in previous savings programmes. The BBC has also identified that it needs to make fundamental changes and accelerate its pace of work to meet its new strategic priorities. Delivering these changes will require increased investment, including, for example, one-off transition costs of about £60 million for its “Across the UK” initiative. The BBC has included funding for the relevant investment in its current budget. However, as of December 2021, the exact extent of annual savings and investment needed to deliver them was still unknown as negotiations with the government on the licence fee settlement continued. In addition, general inflation had increased significantly since March 2021 when the BBC undertook its financial modelling, and the scale of the challenge facing the BBC is likely therefore to have been heightened by this (paragraphs 4.2 to 4.5).

**16 The BBC expects it will have to make a lower proportion of its savings from productivity improvements and further reductions to content and services.**

According to the BBC, if it is required to deliver substantial savings again, its delivery of previous productivity improvements means that the scope for delivering further such improvements will be more limited and it will have to make significant cuts to content and services, including across television, radio, Nations and news. In September 2020, the new BBC Director-General stated that the BBC had been spreading itself too thinly and would need to make less content in future, re-allocating money saved to content with a higher impact among audiences. The BBC therefore intends to continue to take account of audience considerations when deciding on any future cuts to its content (paragraphs 2.3 and 4.6).

<sup>3</sup> Comptroller and Auditor General, *The BBC's strategic financial management*, Session 2019–2021, HC 1128, National Audit Office, January 2021.

**17 There is scope for further productivity improvements from new technology and changes in how the BBC works arising from COVID-19.** To continue providing services during the COVID-19 pandemic, the BBC changed certain aspects of its operations. For example, it increased the amount of content it produced remotely online. As of December 2021, the BBC was considering the extent to which these could be sustained and used to deliver further savings. It was also assessing the extra investment that would be required and the challenges involved in making the changes permanent. There is also scope for further savings to be made by greater standardisation of the BBC's operations in areas such as local news production, where new ways of working have so far only been introduced in Wales (paragraphs 3.11 and 4.7).

**18 The BBC expects that increased commercial returns will make a relatively small contribution to its future savings.** In March 2021, the BBC announced that it planned to increase the returns from its main commercial subsidiary, BBC Studios, by 30% to £1.52 billion in total over the five years from 2022-23. The BBC considers this to be an ambitious target as such an increase would likely be above projected market growth. Despite this, achieving the new target would only be equivalent to around £50 million a year in extra income. Growth beyond this would require investment that would need to be funded by an increase in the borrowing limits placed on its commercial bodies by the Department. In October 2021 the government agreed to increase these limits, subject to the confirmation of oversight arrangements (paragraphs 4.8 to 4.10).

## **Conclusions on value for money**

**19** The BBC has consistently made savings over the past decade. It has exceeded its original target of £800 million in annual savings by 2021-22 and is largely on course to achieve its revised target of £1 billion, which reflected the estimated financial impact of the COVID-19 pandemic. The focus for savings has necessarily shifted: in the early years of its current savings programme, the BBC successfully protected audience-facing services, but it has found this increasingly challenging to maintain. The BBC has reduced spending on its content while its audience numbers have fallen and it is not yet clear what the longer-term impact of this will be.

**20** With a new licence fee settlement due, the BBC is likely to need to make considerable further savings. It will need to do this while also simultaneously delivering on its far-reaching reforms, attempting to address the decline in audience figures and taking advantage of the opportunities to improve productivity which have arisen from its response to the COVID-19 pandemic. To increase its investment in future reforms, the BBC also plans to grow its commercial income. Overall, the BBC must now balance the need to proceed at pace in delivering savings and reform with taking care that its decisions about how to achieve this do not further erode its position with audiences.

## Recommendations

**21** In order to maximise its ability to deliver the savings likely to be required by the new licence fee settlement, the BBC must:

- **improve the information it collects on its savings programme to include data on the impact of its savings measures.** This should include consideration of the risk that relatively short-term content savings measures reduce the long-term value for money of the intellectual property generated;
- **undertake more consistent identification and dissemination of lessons arising from its delivery of savings measures;**
- **expand its use of internal cost and efficiency benchmarking** for areas such as Nations and News where external benchmarking is limited; and
- **ensure it implements the lessons from the COVID-19 pandemic and pursues further standardisation of operations across the organisation** in order to deliver further savings while also ensuring that it has sufficient capacity to continue its operations and deliver a resilient service to its audience.

# Part One

## The BBC's progress in making savings

**1.1** In this part of the report, we examine the BBC's performance against its savings target. We also set out: how the BBC has made savings; how the composition of this has changed; the impact of its savings on staff numbers; and the implementation of its programme of measures to deliver savings.

### Introduction

**1.2** The BBC is the UK's main public service broadcaster (PSB), providing a wide range of television, radio and digital services. Public service broadcasting is defined as the collective output of specified television services designed to meet purposes and objectives set by Parliament. Under its Royal Charter, the BBC has a mission to serve all audiences through the provision of impartial, high-quality and distinctive outputs and services which inform, educate and entertain, and undertake a number of public purposes (**Figure 2**). The BBC is independent of government but is sponsored by the Department for Digital, Culture, Media & Sport (the Department) and regulated by Ofcom, the communications regulator.

**1.3** The BBC is primarily funded by payment of the television licence fee, receiving £3.75 billion from this in 2020-21. However, BBC television has been experiencing a fall in its audience share in recent years and a fall in the number of people buying a licence as people do not need to buy a licence if they do not watch licensable content.<sup>4</sup> The BBC operates in a marketplace in which it increasingly competes not only with traditional television and radio services, but also with new online services, such as Netflix, and in which audience viewing habits have been changing as people have moved away from watching broadcast television to streaming and online viewing on demand. Between 2016-17 and 2020-21, its income from the licence fee fell in real terms by more than 8%. As of December 2021, there was further uncertainty over the size of the BBC's licence fee income as the BBC and government were negotiating on the level of the licence fee after 2021-22.

<sup>4</sup> Live programmes shown on any TV channel or on online TV services, such as ITV Hub or Amazon Prime Video, and programmes shown on BBC iPlayer.



## Figure 2

### The BBC's public purposes

The BBC has five public purposes

- 1  To provide impartial news and information to help people understand and engage with the world around them.
- 2  To support learning for people of all ages.
- 3  To show the most creative, highest-quality and distinctive output and services.
- 4  To reflect, represent and serve the diverse communities of all of the UK's nations and regions and, in doing so, support the creative economy across the UK.
- 5  To reflect the UK, its culture and values to the world.

Source: BBC Charter, December 2016

**1.4** Although the BBC is permitted by its Charter to generate income from commercial activities, this only makes a relatively small contribution to its overall income position. Although the BBC's commercial activities generate significant income each year – £1.4 billion in 2020-21 – the nature of the industry means that the BBC incurs substantial costs generating this income. As a result, the only financial returns from these activities to the BBC are the dividends paid by its commercial subsidiaries from their profits and certain payments made by its main commercial subsidiary, BBC Studios, mainly its upfront contributions to the financing of BBC programmes. In 2020-21 the returns paid by the commercial businesses for the BBC to use on its programme-making totalled £210 million, equivalent to under 6% of licence fee income.

**1.5** The BBC also faces substantial cost pressures as inflation in certain genres of programmes, such as high-end dramas, is high. Additionally, where possible, the BBC is seeking to invest extra money in developing its services to provide greater value to audiences, including groups, such as those in certain regions of the country, which it regards as under-served by the BBC. In September 2020, the BBC announced its new strategic priorities aimed at delivering value for all its audiences (Figure 1).

### **The BBC's performance against its savings target**

**1.6** The BBC's current savings programme is the latest in a series it has undertaken in recent years in response to reductions in its income following licence fee negotiations with government. For example, under the 2010 licence fee settlement, the cost of a television licence was frozen for seven years, and the BBC agreed to take on new funding commitments, including paying for the World Service from the licence fee. According to the BBC, these changes resulted in a real terms reduction in its annual licence fee income of about 24% by 2016-17. To meet this gap in its funding, the BBC initiated its five-year "Delivering Quality First" programme, which delivered savings of £722 million a year by 2016-17, against a target of £700 million.

**1.7** Following the 2015 licence fee settlement, in February 2017, the BBC introduced a five-year programme to deliver £800 million of savings a year by 2021-22 in order to address an estimated shortfall in its finances (**Figure 3**). In 2020, with less than two years left of this programme, the BBC increased this target by more than 25% to £1,012 million a year by 2021-22, reflecting its estimates of the financial impact of the COVID-19 pandemic and its decision to continue to offer free licences to some over-75s.

**1.8** In September 2021, the BBC forecast that it would deliver savings of £971 million a year by March 2022, £41 million (4%) below the £1,012 million target, but substantially above the original £800 million target. The shortfall against the revised target is largely due to the BBC not delivering all the savings it had planned in its Content, Nations and News divisions (**Figure 4** on page 18). We examine how the BBC has made savings in these divisions in later parts of this report.

**Figure 3**  
Original estimated impact of 2015 BBC licence fee settlement and other factors

In February 2017, the BBC identified a series of measures to address the impact on its funding of the 2015 licence fee settlement and other factors, such as inflation



■ Loss in income ■ How these losses will be made up

**Notes**

- 1 TVP stands for TV penetration (percentage of households requiring a TV licence).
- 2 Transfer of over-75s licence fee concession – BBC estimate of the amount of grant it would have received in 2021-22 if government had continued to meet in full the cost of free TV licences to all over-75s.
- 3 Over-75s policy change: The BBC assumed that it would change its policy in 2020-21 so that all members of a household had to be over-75 in order to qualify for a free licence. This was not the option it chose in May 2019.

**Figure 4**

Forecast outturn for the BBC's annual savings by 2021-22, by division

The BBC is forecasting annual savings of £971 million by 2021-22

	Forecast Outturn (October 2020) <sup>1</sup>		Forecast Outturn (September 2021)		Change from October 2020 to September 2021
	(£m)	(%)	(£m)	(%)	
Content	470	46	443	46	-27
Corporate functions	170	17	163	17	-7
Design and Engineering	145	14	153	16	+8
Nations	90	9	81	8	-9
News	87	9	75	8	-12
Radio and Education	56	5	56	5	0
<b>Total</b>	<b>1,018</b>		<b>971</b>		<b>-47</b>

**Note**

1 In October 2020, the BBC expected to deliver savings of £1,018 billion, slightly above the target of £1,012 billion it had set earlier in 2020.

Source: National Audit Office analysis of BBC savings data

**How the BBC is delivering savings**

**1.9** As in its previous savings programmes, the BBC delivered most of its current savings through a combination of measures (**Figure 5**):

- **productivity improvements:** measures where the BBC sets out to deliver the same or additional output with reduced or less costly inputs. For the BBC these can include reducing the amount of accommodation it occupies, improved contracting for goods and services, greater use of technology, workforce restructuring and keeping content prices at the same level;
- **reductions to the content and scope of BBC services:** measures where the BBC does fewer things. Examples include cancelling certain television programmes and reducing spending in certain areas to focus on output most valued by its audiences;
- **changes to the scheduling mix:** measures to change the mix or quality of content while avoiding an adverse impact on overall performance. Examples include switching funding from genres or programmes which are more expensive and/or less popular with audiences to higher-performing and/or less expensive output, without reducing content hours. This is a new category of savings separately identified by the BBC from 2017-18; and

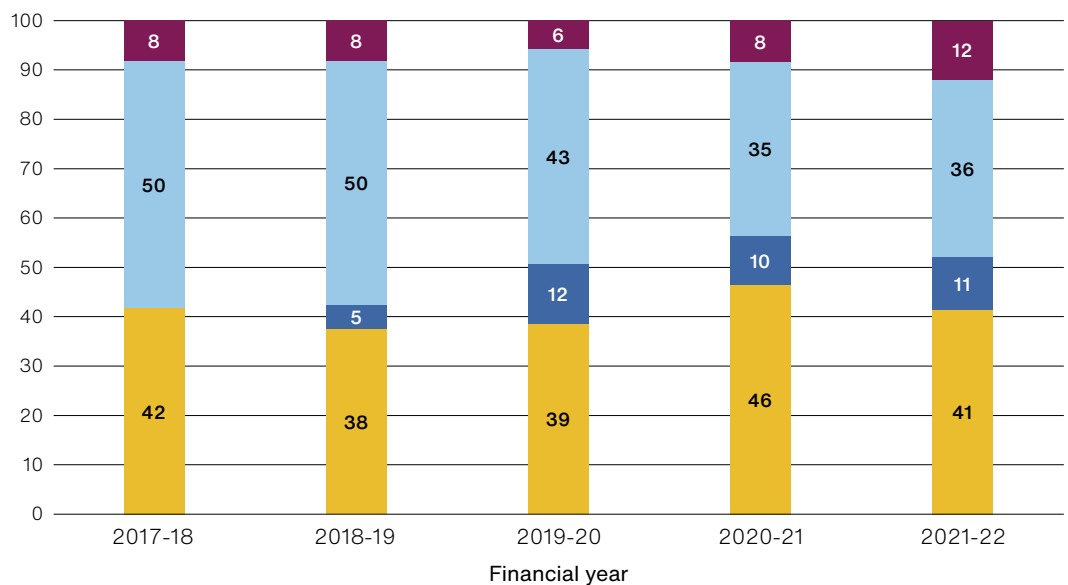
- **income generation:** measures where the BBC seeks to increase the financial contributions made by other organisations working in partnership on BBC-commissioned television programmes (which we refer to as “third parties”), and dividends from its commercial subsidiaries, without detracting from its core, public service values.

## Figure 5

Annual delivery of savings by category, 2017-18 to 2021-22

The proportion of savings from productivity improvements has declined over the period

Share of the cumulative savings by the end of year (%)



- Commercial income
- Productivity
- Changes to scheduling mix
- Cuts to content and services

	2017-18	2018-19	2019-20	2020-21	2021-22
Productivity savings (£m)	127	207	268	312	350
Cuts to content and services (£m)	106	157	239	413	402
Changes to scheduling mix (£m)	0	20	75	90	103
Commercial income (£m)	21	34	36	75	116
<b>Total</b>	<b>254</b>	<b>418</b>	<b>618</b>	<b>890</b>	<b>971</b>

### Notes

- 1 2021-22 figures are forecasts.
- 2 All figures are rounded to the nearest £ million or percentage. Percentages may not total 100 due to rounding.

Source: National Audit Office analysis of BBC savings data

**1.10** In its previous programmes, the BBC focused primarily on productivity improvements to deliver savings. For example, 70% (£505 million) of the savings delivered under the Delivering Quality First programme came from such improvements. However, the BBC has found it increasingly challenging to deliver further productivity improvements. The level of savings delivered by new productivity measures each year (known as the annual productivity rate<sup>5</sup>) has fallen, resulting in a fall in the level of productivity savings as a percentage of annual savings (Figure 5) In September 2021, the BBC estimated that only 36% of the £971 million annual savings due by 2021-22 would come from such savings. According to its benchmarking, the BBC's overhead costs<sup>6</sup> in 2019-20 were 4.8% of total expenditure, compared with a median of 10.2% for comparable organisations, while its indirect costs<sup>7</sup> were in the most efficient top quartile of comparable media companies.

**1.11** Until 2019-20, the BBC sought to limit reductions in the television and radio programmes it offers in favour of improvements in productivity, particularly in its back-office divisions such as Corporate Functions. Subsequently, the BBC has delivered most of its savings from its more audience-facing divisions – Content, Nations and News. As a result, in September 2021, the BBC estimated that 41% of the annual savings of £971 million by 2021-22 would come from cuts to content and the scope of services (Figure 5). This contrasts with 28% under its previous Delivering Quality First programme (paragraph 1.6). The BBC also forecast that a further 11% would come from changes to the scheduling mix, which include changes to the mix or quality of content (paragraph 1.9). Under its Delivering Quality First programme, the BBC had included savings achieved by such changes among those arising from reductions to content and services.

**1.12** As of September 2021, the BBC forecast that £116 million (12%) of its £971 million annual savings would come from income generation, a significant increase on the £14 million (2%) delivered under its previous savings programme. This increase has mainly been driven by a rise of 84% since 2016-17 in the amount of third-party funding of BBC-commissioned productions to £385 million in 2019-20. We cover this in more detail in Part Two.

5 The annual productivity rate is calculated using the productivity savings delivered by new measures undertaken in a year and ignores the continuing effects of measures taken in earlier years.

6 Overheads are the costs relating to the BBC's shared corporate functions that cannot be directly attributed to its audience-facing activities and include functions such as Finance and Legal.

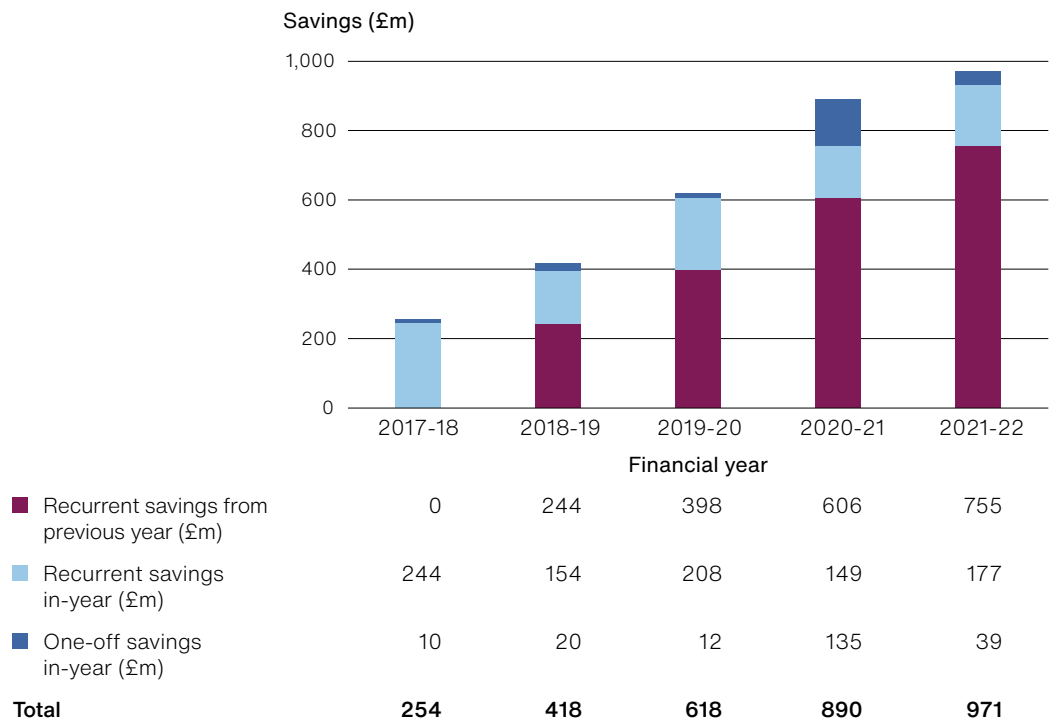
7 Indirect costs include overheads and costs incurred in directly supporting the BBC's content and distribution activities, for example, divisional finance functions which manage the production and distribution of content.

**1.13** The majority of the savings delivered by the BBC recur over a number of years, as they involve ongoing or permanent changes (**Figure 6**). Only a small amount comes each year from one-off savings, which occur only in the year in which they first arise and do not arise in following years. The exception to this was in 2020-21, when £135 million of the £890 million savings that the BBC reported as being delivered by the end of that year were one-off in nature. These arose from measures such as a recruitment freeze, taken to address the forecast impact on the BBC's finances of the COVID-19 pandemic. The postponement of significant sporting events, such as the 2020 Olympics, and delays in the production of content due to the pandemic also yielded one-off savings as some of the planned spending on television content in 2020-21 was pushed back to 2021-22, while other planned events, and associated spending, did not occur.

**Figure 6**

Annual delivery of savings by type, 2017-18 to 2021-22

The majority of the savings delivered by the BBC recur over a number of years



Source: National Audit Office analysis of BBC savings data

### The BBC's reduction in staffing

**1.14** In July 2021, the BBC estimated that the cost of implementing measures to deliver its savings averaged almost £41 million a year from 2017-18 to 2021-22. Most of these costs were for redundancies, with the BBC spending almost £180 million (£36 million a year) on these. It made more than 1,800 staff redundant between 2017-18 and 2020-21, with almost 1,000 of these only taking place in 2020-21. Almost 1,100 of its redundancies occurred in the BBC's Nations and News divisions, which together employ about 40% of the BBC's workforce. About one third of the 1,100 redundancies involved front-line journalist roles, reflecting the fact that previous savings measures had focused more on the BBC's back-office divisions (paragraph 1.11).

**1.15** Despite making more than 1,800 staff redundant (broadly equivalent to almost 8% of its headcount), the overall number of BBC staff fell by less than 1% between 2016-17 and 2020-21 (**Figure 7**). This was mainly because the BBC recruited more than 1,100 staff as part of an expansion of the BBC World Service, which was funded by the Foreign, Commonwealth & Development Office.<sup>8</sup> Excluding these new externally funded posts, the underlying size of the BBC workforce fell by almost 6% between 2016-17 and 2020-21.

**1.16** Between 2016-17 and 2020-21 the BBC's staff costs fell by less than 2% in real terms, with the average cost per staff member falling slightly in real terms from £69,600 in 2016-17 to £68,900 in 2020-21. This was in part due to a salary freeze introduced by the BBC in 2020-21, as well as other measures taken in earlier years to control staff costs. These included a review of the terms and conditions of its workforce. The BBC did not regard cost as a driving factor for the resulting reforms, which were designed to improve fairness, transparency and consistency. The BBC estimated that these reforms would have a broadly cost-neutral effect, producing a net saving of £4.9 million over the seven years from 2017 to 2023.<sup>9</sup>

8 The Foreign, Commonwealth & Development Office provides extra funding of approximately £86 million a year for the expansion of BBC World Service. This funding is secured until the end of 2021-22.

9 Comptroller and Auditor General, *Managing the BBC's pay-bill*, Session 2017-2019, HC 1133, National Audit Office, May 2019.



**Figure 7**

## BBC staff numbers and costs, 2016-17 to 2020-21

BBC staff numbers and real-terms costs fell slightly between 2016-17 and 2020-21

	2016-17	2017-18	2018-19	2019-20	2020-21	Change from 2016-17 to 2020-21
	(£m)	(£m)	(£m)	(£m)	(£m)	(%)
<b>Staff costs<sup>1</sup></b>						
Cash terms	1,387	1,397	1,480	1,532	1,477	+6.5
Real terms	1,499	1,489	1,537	1,558	1,477	-1.5
<b>Staff numbers<sup>2</sup></b>						
Public Service Broadcasting (PSB) staff	18,113	17,182	17,730	17,731	16,424	-9.3
Commercial staff	1,325	2,588	2,309	2,343	2,342	+76.8
Overseas staff	1,109	1,472	1,693	1,748	1,788	+61.2
Casual staff	979	785	872	902	884	-9.7
<b>Total</b>	<b>21,526</b>	<b>22,027</b>	<b>22,604</b>	<b>22,724</b>	<b>21,437</b>	<b>-0.4</b>
<b>Average staff cost<sup>3</sup></b>	<b>69,600</b>	<b>67,600</b>	<b>68,000</b>	<b>68,600</b>	<b>68,900</b>	<b>-1.0</b>

**Notes**

- 1 Staff costs have been adjusted to real terms in 2020-21 prices using the Consumer Price Index.
- 2 Staff numbers are as of 31 March of each financial year.
- 3 Public Service Broadcasting (PSB) staff numbers decreased and commercial staff numbers increased on 1 April 2017 with the establishment of BBC Studios as a commercial subsidiary.
- 4 Overseas staff increased with the expansion of BBC World Service.

Source: National Audit Office analysis of BBC staffing data

## **The BBC's implementation of its savings programme**

**1.17** The BBC initially takes a top-down approach to setting savings targets, under which the amount of savings it is required to make is heavily influenced by its periodic licence fee settlement. After discussion, the BBC's central management allocates delivery of the BBC-wide savings target between individual divisions. These divisions are then responsible for identifying and implementing individual savings measures. The BBC considers that its incentive to efficiency lies in this being the only means by which it can fund new investment. Thus, it used some of the savings achieved under its current savings programme to fund investment equivalent to £195 million a year between 2017-18 and 2021-22. This has included investment in the BBC Scotland channel, which opened in February 2019, new content for Young Audiences and children, and development of BBC iPlayer and BBC Sounds.

**1.18** The BBC uses competitive tendering and benchmarking to gather intelligence on the efficiency of its operations. It currently outsources significant parts of its back-office functions and technical support and is moving towards putting the production of all of its content, apart from News and Current Affairs, out to competitive tender. In those areas where it does not use outsourcing, it seeks to benchmark its costs and operations where it considers this to be feasible. However, there are certain areas, such as in the Nations and News divisions, where there are limitations to the benchmarking the BBC undertakes to identify areas for potential savings. In these areas, the BBC uses market intelligence to inform pay rates for staff and outsources major technology contracts, but it does not consider it possible to benchmark its use of staff and technology against that of commercial media organisations. This is on the grounds that the BBC has different obligations to fulfil as a result of its Charter commitments and that there is a lack of publicly available comparative information. It also considers that internal comparisons can be difficult, given the variations between different parts of the BBC in terms of, for example, technologies used, geographical coverage and the demographics of the audiences being served. These limitations to the BBC's use of benchmarking mean that it is unable to take full assurance on whether it is using its resources to maximum potential efficiency.

**1.19** As we highlighted in our report on the BBC's previous savings programme, Delivering Quality First, the BBC does not record the impact of the savings it makes on, for example, content hours or audience engagement. According to the BBC, this is because, for many savings measures involving, for example, back-office functions, there is no direct link between these and such impacts. However, it does take account of audience considerations when deciding on any changes to its schedule of television and radio programmes. It also considers the possible impact of savings measures when assessing the performance of individual divisions and television programmes and this performance is lower than expected. The BBC intends to review the information it records on individual savings before the start of the next savings programme in 2022-23.

**1.20** The BBC has a small team dedicated to bringing about continuous improvement in its operations. This team has been involved in helping to deliver savings in a handful of areas. The BBC also has a formal process for the identification and dissemination of lessons from the completion of continuous improvement projects as well as its major projects. However, we found no evidence of the BBC taking a consistent approach to the identification and application of lessons, specifically from its implementation of savings measures across the organisation. For example, there was no mechanism to enable those directly involved in delivering savings to share their experiences.

## Part Two

### Content savings

**2.1** This part of our report sets out: the role of the BBC's Content division and how it contributes to its overall savings; the approach the BBC has taken to making savings from content; trends in overall content spending; and the impact of the BBC's content savings.

#### **Content division and its contribution to the BBC's savings**

**2.2** The BBC established its Content division in 2016 to commission content for all of its national television channels and BBC iPlayer. In 2020, the BBC significantly expanded its remit to also include the commissioning of content for all its national radio networks, BBC Sounds and BBC Children's. This was with the aims of optimising the growth of iPlayer and Sounds and addressing the fall in audiences for the BBC's broadcast television channels. In 2020-21 the BBC's spending on its Content division was 66% of its total public service broadcasting (PSB) expenditure. The BBC's Content division has made a significant contribution to the BBC's delivery of savings and was forecast in September 2021 to deliver £443 million (46%) of the estimated annual savings of £971 million a year by 2021-22 (Figure 4).

#### **The BBC's approach to making content savings**

**2.3** In September 2020, the BBC's new Director-General identified that the BBC had been spreading itself too thinly and would need to make less content in future, re-allocating money saved towards content with a higher impact among audiences. In response, it conducted a review of Content division with the aim of improving the quality of the content provided to viewers, increasing viewing on iPlayer – in particular to young and light users of BBC services – and maintaining current audience levels for its broadcast television channels in the face of increased competition from online services, such as Netflix, and changing audience viewing habits (paragraph 1.3). The BBC considers that the decline of broadcast television viewing is part of broader market changes in the UK and around the world, and so plans to build a strong position in the on-demand market with iPlayer. It plans to reduce the number of titles with a low audience share, strengthen existing brands and increase its impact in the Nations by commissioning more content from outside London. It also takes decisions based on the principle that, while it is important to increase the overall time audiences spend with the BBC, it is critical to provide value to all groups of citizens and to increase take-up of its services among groups who view less BBC content than others.

**2.4** The BBC's Content division considers both the need for savings and the impact on audience value when deciding which content to re-commission or cancel and which new content to invest in. Examples of decisions which the BBC has taken to make content savings include the cancellation of certain programmes which it regarded as increasingly appealing to small audiences, such as *Crimewatch*, or which were expensive to produce compared to the audiences achieved, such as *Good Omens*. It has also made savings by buying the sporting rights to fewer events, stopping Formula 1 coverage and broadcasting fewer Six Nations Rugby Union matches. Additionally, in order to reach those audiences who make only light use of the BBC, it has cut back on programmes which appeal to audiences it regards as already well provided for. For example, although *Holby City* attracted large audiences, these were mainly people who the BBC regarded as already being well served by other BBC content. The BBC considers that, as a universal service, the range of programmes it provides should not just appeal to those who are already well served by BBC content.

**2.5** The BBC uses some of the savings it makes from content reductions to invest in content in what it regards as its key areas, such as content aimed at 16 to 34 year-olds and other groups which make less use of the BBC. In 2020, the BBC identified a further 500 hours of such programming, which it would stop funding and would use the money saved to reinvest across 2021-22 and 2022-23 in content with a greater audience reach.

**2.6** In July 2021, the BBC also decided to reduce spending on television content for BBC 2 and BBC 4 in order to spend on more content for BBC 1 and BBC 3. As a result, BBC 4 will air more repeat broadcasts and other acquired legacy content. The BBC intends to reopen BBC 3 as a broadcast television channel in early 2022, six years after closing it. The BBC originally closed the channel to make £30 million of savings to protect BBC 1's drama budget. The BBC has now reversed this decision as younger audiences did not switch to online viewing to the extent anticipated. It considers that there is still a place in its broadcast television offering for targeting younger audiences.

**2.7** In parallel with reprofiling its content offering, the BBC has sought to expand the options for people to access its content. In May 2020, following regulatory approval, the BBC extended the period for which content is available on BBC iPlayer from 30 days to 12 months. It has also made more content available on iPlayer, with the number of available hours of content increasing from an average of about 9,000 in the first half of 2019 to 16,000 in the first half of 2021. These changes have contributed to an increase in audience use of iPlayer. In 2020-21, on average, 10.7 million people a week watched content on iPlayer, compared with 9.1 million in 2019-20. The BBC has also built on the BBC Sounds platform for radio programmes and podcasts, which it launched in 2018. This has grown from 760 million plays of content in 2019-20 to 1.26 billion in 2020-21, with 900,000 new 16 to 34 year-olds registered in the last half of 2020-21.

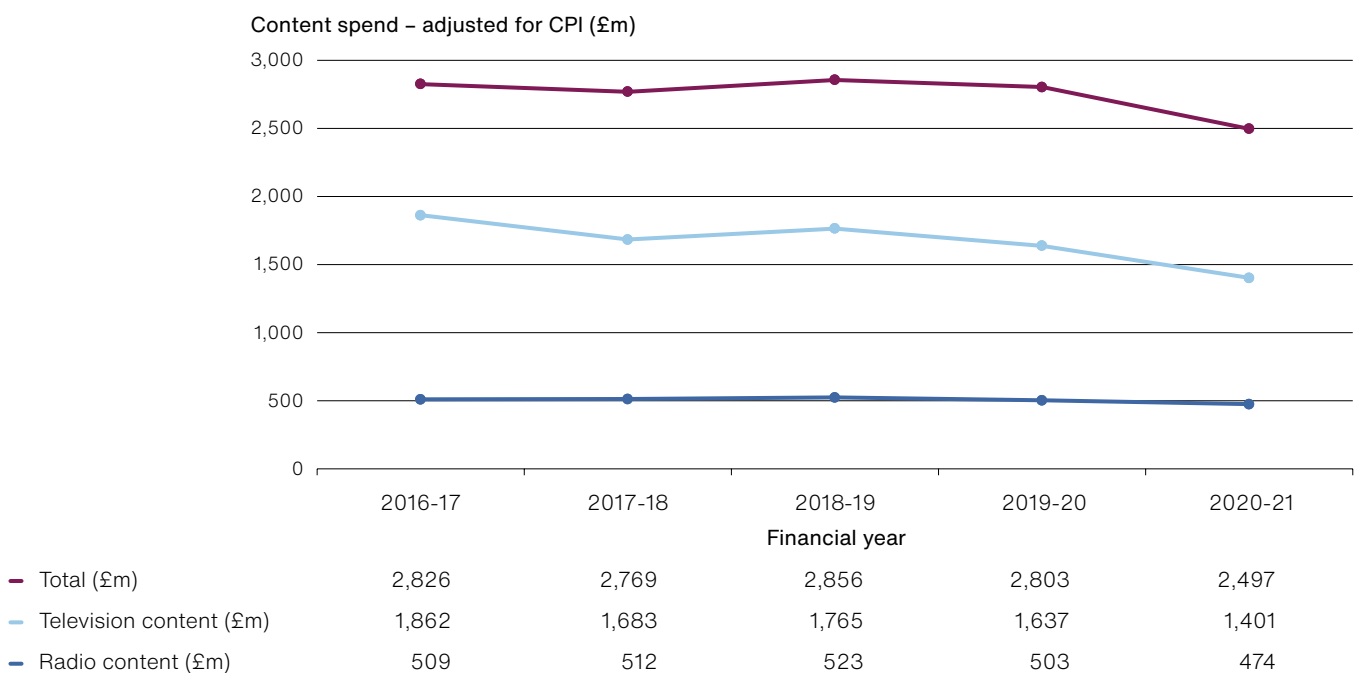
## Overall spending on content and the role of third-party funding

**2.8** Overall, after taking account of general inflation, the BBC's total spending on content has fallen by 12% in real terms since 2016-17 (**Figure 8**). The BBC largely maintained its spending on content at broadly similar levels between 2016-17 and 2019-20 but experienced a significant reduction in 2020-21 due to the COVID-19 pandemic as productions were delayed or cancelled. This reduction understates the impact of inflation on the BBC's spending as inflation in certain content genres has been significantly higher than average inflation in the whole UK economy. Cost pressures have been particularly acute in high-end drama and natural history programming with the rise of Subscription-Video-On-Demand services. For example, according to the BBC, the cost per hour for drama increased by about 20% from 2015-16 to 2019-20, with the COVID-19 pandemic subsequently increasing production costs by a further 10% to 30%.

### Figure 8

BBC's content spending, 2016-17 to 2020-21

The BBC's total spending on content has fallen by 12% in real terms since 2016-17



#### Notes

- Figures above exclude content spending every two years on major sports events. We have excluded this since, although such spending occurred in 2016-17 and 2018-19, it did not occur in 2020-21 as planned as the relevant events were cancelled due to the COVID-19 pandemic. This planned spending is now being incurred in 2021-22.
- Costs have been adjusted to real terms in 2020-21 prices using the Consumer Price Index.
- Total includes television and radio content spend, as well as other types of content spend such as BBC online and BBC World Service. Television and radio are the two largest components of content spend.

Source: National Audit Office analysis of BBC spending data

**2.9** The BBC has sought to enhance its content spending by increasing the contributions it receives from third parties towards the funding of its productions. This rose by 84% between 2016-17 and 2019-20 to £385 million, but then fell significantly in 2019-20 due to the impact of the COVID-19 pandemic on productions (**Figure 9** overleaf). However, this large increase has primarily been used to absorb inflationary pressures in the market and meet growing audience expectations for quality, rather than to produce more content hours for the BBC. In return for this investment, the BBC has traded some of its rights to content, trading potential but uncertain long-term returns on programming in order to secure guaranteed funding to meet short-term cost pressures. The BBC told us that its senior leadership is beginning to consider how to prevent the long-term value of its intellectual property from being eroded in this way, in return for short-term financial gain.

### **The impact of the BBC's content savings**

**2.10** Despite the fall in the BBC's spending on content (paragraph 2.8), the amount of new broadcast television content supplied by the BBC's Content division increased by almost 3% between 2016-17 and 2019-20, from 4,173 to 4,290 hours (**Figure 10** on page 31). However, this increase was due to the Content division acquiring more completed television programmes from other companies. Over the same period, the amount of new content the division itself commissioned fell by 5%, from 3,926 to 3,719 hours. The amount of new broadcast television content supplied by the Content division fell in 2020-21 as production of new content was delayed by the COVID-19 pandemic and broadcasters competed to acquire new content to fill their programme schedules.

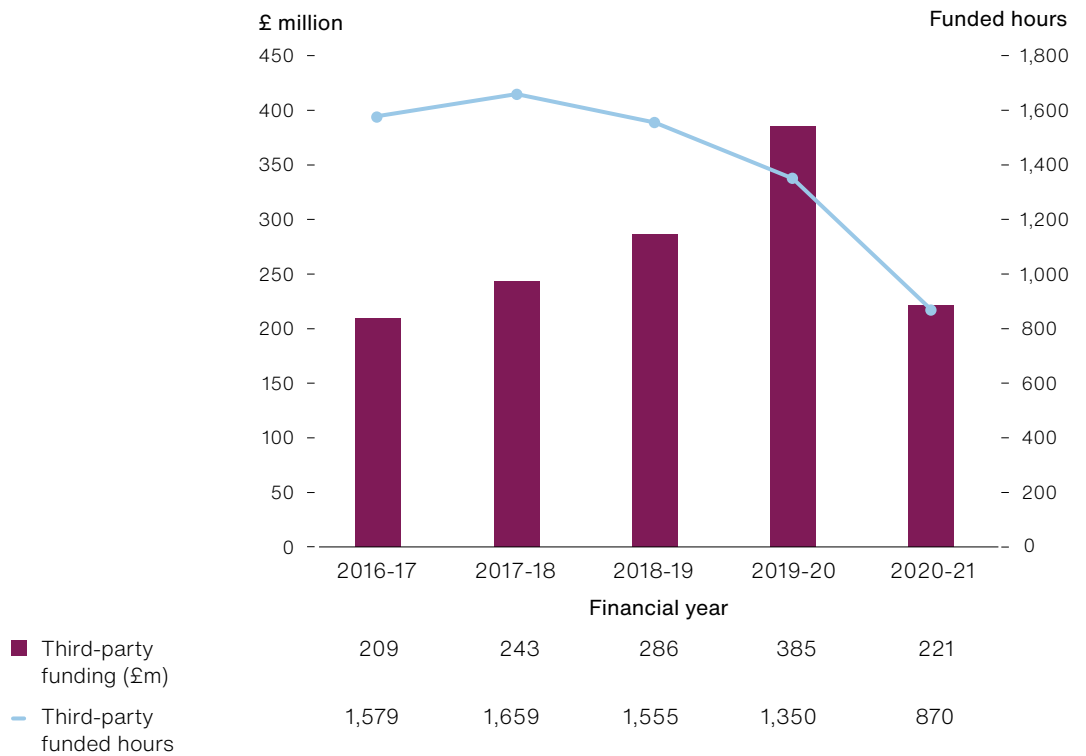
**2.11** There have also been increases in the number of repeats shown across the BBC's three main television channels. Between 2016-17 and 2020-21 the amount of repeats as a percentage of programming hours shown on BBC1, BBC2 and BBC4 increased from 49% to 56%, an increase of 12% (**Figure 11** on page 32). Although it has lower levels of repeats than the other two channels, BBC 1 experienced the largest increase in repeats over this period – 22%. The increase in repeats across all three channels arose in part due to the impact of the COVID-19 pandemic on the production of new content in 2020-21, but also as part of the BBC's strategy for addressing a change in audience viewing habits while working within a finite budget. The BBC intends to reduce the repeats rate on BBC 1 to pre-COVID-19 levels.

**2.12** In recent years, the BBC's audience figures have been in slow decline in the face of increased competition and changes in audience viewing habits (paragraph 1.3). Although the BBC remains the brand that UK adults most use for media, the volume of its audiences dropped between 2016-17 and 2019-20, and there was also a small reduction in perceptions of its quality and creativity (**Figure 12** on pages 33 and 34). The amount of time the audience spent with the BBC increased in 2020-21 as the COVID-19 pandemic was occurring, although the extent to which this improvement can be sustained is not yet clear.

**Figure 9**

BBC's third-party funding of content, 2016-17 to 2020-21

Third-party funding rose by 84% between 2016-17 and 2019-20 to £385 million, but then fell significantly in 2020-21



**Note**

1 Figures above cover third-party investment in content commissioned by the BBC's Content Division (covering drama, comedy, entertainment and factual genres), and excludes investment into Children's, Nations, and News divisions.

Source: National Audit Office analysis of BBC third-party funding data

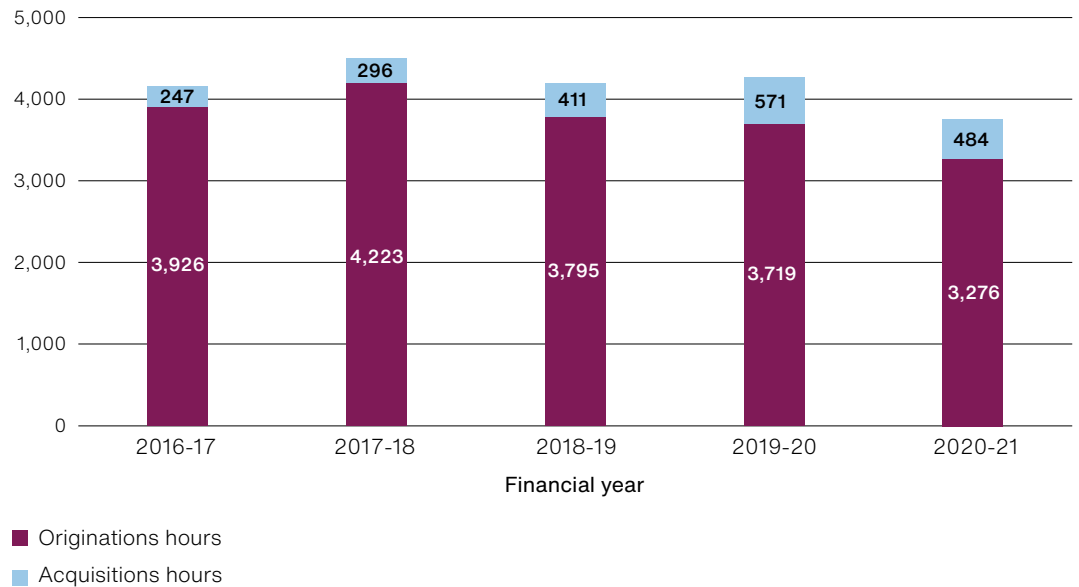


**Figure 10**

Television content hours, 2016-17 to 2020-21

The amount of new broadcast television hours commissioned by the Content division fell by 5% between 2016-17 and 2019-20

Television content hours, 2016-17 to 2020-21







**Note**

1 The figures above refer only to television content provided by the BBC's Content division, and therefore excludes television content provided by Nations and News divisions. They include new content commissioned (Originations) or acquired (Acquisitions) by the Content Division, and exclude content, such as *The Fresh Prince of Bel Air*, previously broadcast by the BBC and other UK broadcasters that the Division acquired

Source: National Audit Office analysis of BBC content data

**Figure 11**  
 Television repeats, 2016-17 to 2020-21, on BBC 1, BBC 2 and BBC 4  
 Repeat programming on the BBC is increasing

	2016-17	2017-18	2018-19	2019-20	2020-21	Increase over period
Repeats as a percentage of programming hours						
BBC 1	25%	28%	26%	29%	31%	22% 
BBC 2	59%	57%	58%	58%	64%	9% 
BBC 4	77%	82%	82%	82%	87%	13% 
<b>Total</b>	<b>49%</b>	<b>50%</b>	<b>50%</b>	<b>51%</b>	<b>56%</b>	<b>12%</b> 

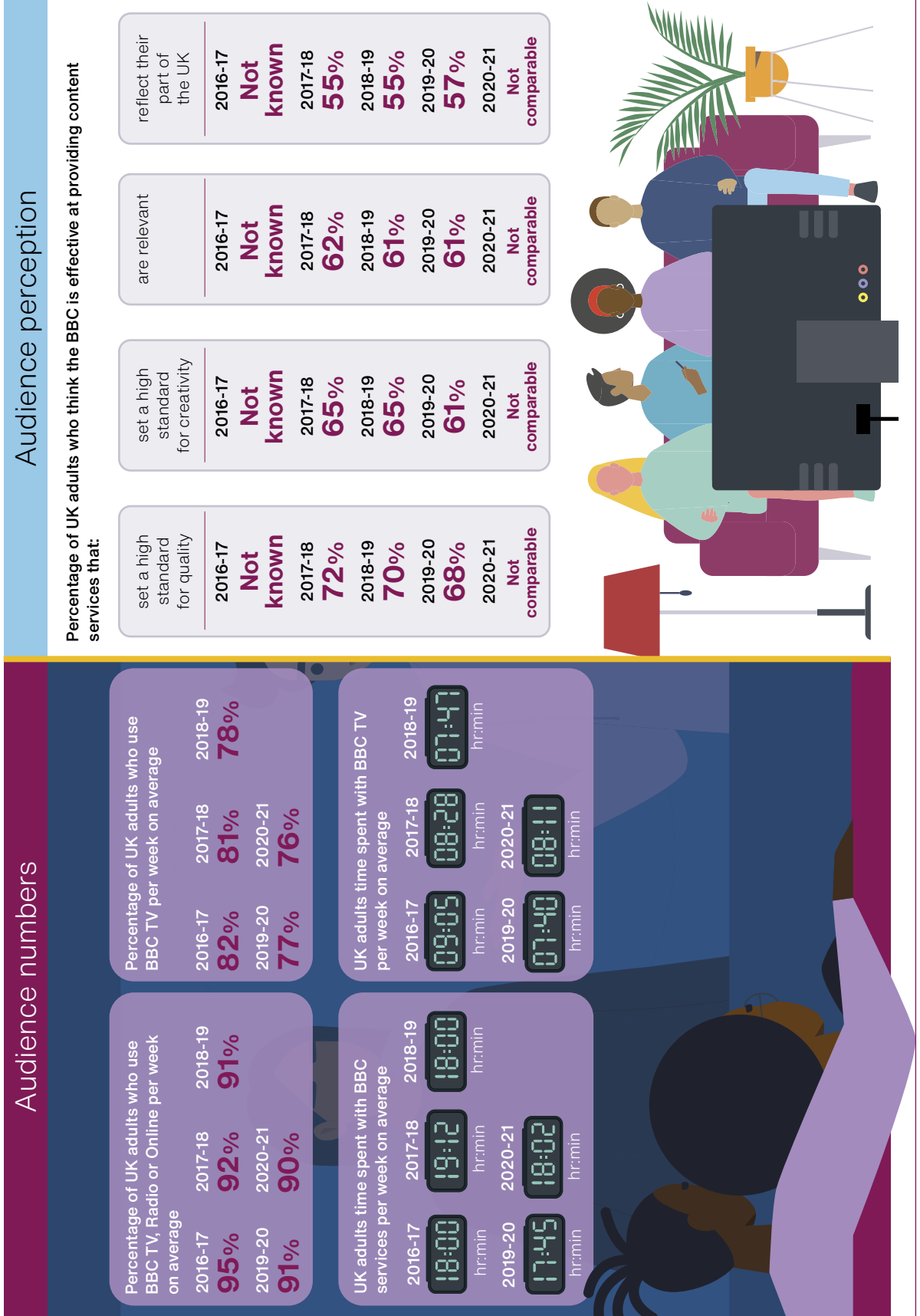
**Notes**

- 1 Figures exclude the rolling overnight weather and news broadcast that runs overnight on BBC 1.1.
- 2 All annual percentage figures above have been rounded to the nearest whole number.
- 3 Percentage figures for the increase over the period have been calculated using unrounded annual percentage figures and have then been rounded up to the nearest whole number.

Source: National Audit Office and BBC analyses of BBC programming schedules

**Figure 12**  
BBC audiences, 2016-17 to 2020-21

The BBC's share of audiences has been in slow decline



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**Figure 12** *continued*  
BBC audiences, 2016-17 to 2020-21

**Notes**

- 1 Changes in how overall BBC reach and time data are measured mean that the figures for 2016-17 are not directly comparable with later years.
- 2 Audience perception figures for 2020-21 are not directly comparable to those in previous years. The usual face-to-face interviews used to survey audience opinion were suspended in 2020-21 because of COVID-19 restrictions. Instead, audience opinion was surveyed via telephone interviews. The figures have therefore not been included.
- 3 Adults are defined as those aged 16 and over.
- 4 All percentage figures have been rounded to the nearest whole number.

Source: National Audit Office analysis of BBC audience data

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# Part Three

## News and Nations savings

**3.1** This part of our report examines in more depth how the BBC has delivered savings in its more audience-facing News and Nations divisions.

### **News division**

The News division's performance in making savings

**3.2** The BBC's Royal Charter establishes the provision of impartial news as one of the BBC's five public purposes. It is obliged by its operating licence to produce a minimum number of news content hours each year. The BBC provides a range of national and international news across its television, radio and online platforms. The BBC's News division is responsible for providing national and international news across the UK. BBC One is the most-used news source in the UK, while the BBC website/app and BBC News Channel are the joint fourth most-used news source. News is the largest division of the BBC in terms of its headcount, with 5,800 staff and total spending of more than £520 million budgeted for 2021-22.

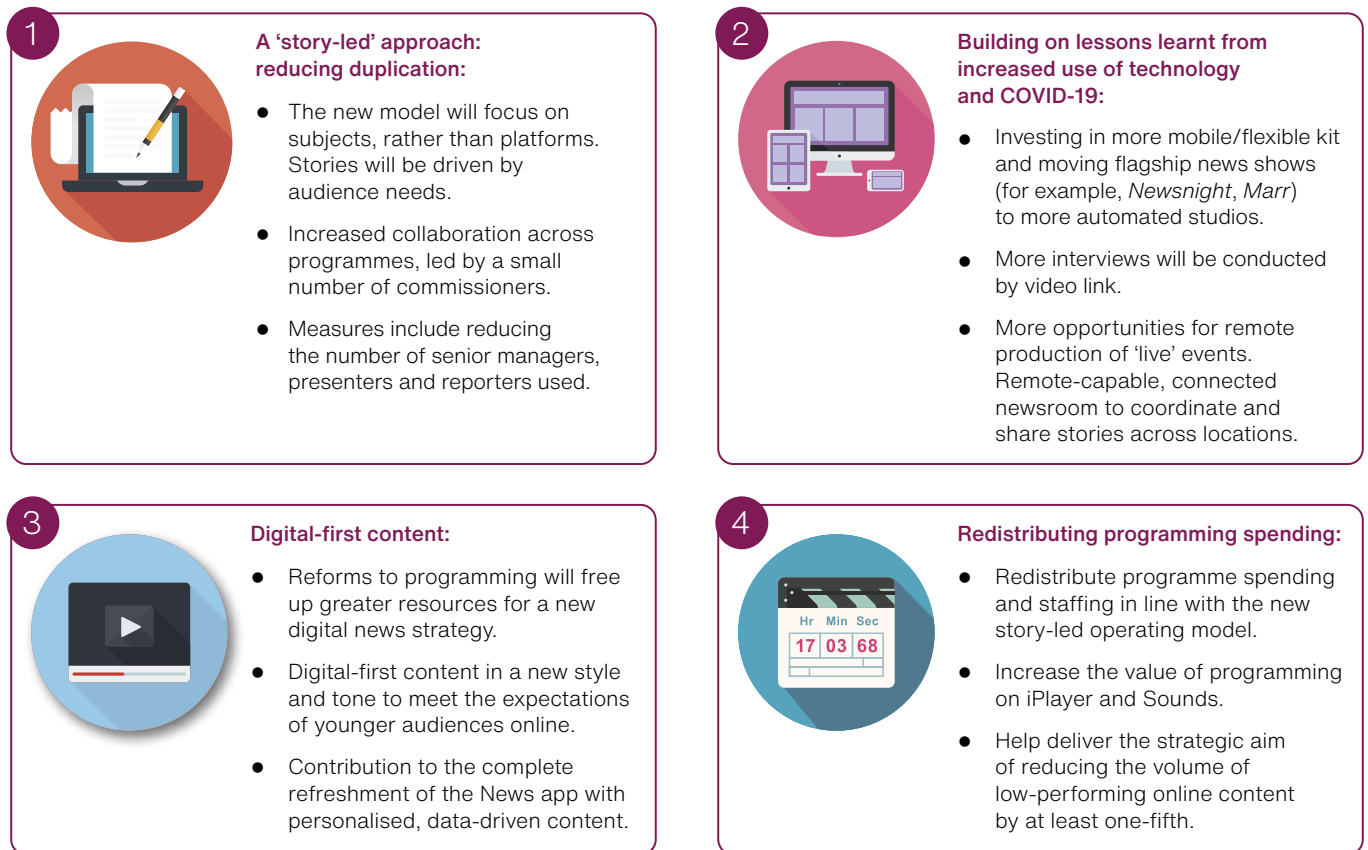
**3.3** As of September 2021, the BBC's News division was forecast to deliver £75 million (8%) of its estimated savings of £971 million a year by 2021-22, £12 million less than the £87 million the BBC expected it to deliver in October 2020 as its contribution to the revised target of £1 billion (Figure 4). The BBC's News division has experienced regular difficulties in meeting its savings targets each year and has also received BBC approval to permanently remove from its target savings measures which would involve it making further scope reductions than those it already has.

### The Modernising BBC News initiative

**3.4** The News division’s Modernising BBC News initiative has been a significant element in its delivery of savings (**Figure 13**). The BBC contends that Modernising BBC News is the most significant transformation programme it has undertaken in News since the 1990s. It aims not only to deliver greater efficiency by reducing duplication and producing content which can be shared more easily across different platforms, but also to better serve all its audiences, including younger and more diverse audiences. The News division intends to make greater use of audience data when commissioning and producing content in order to understand the types of stories that audiences want and to judge the success of individual news stories after publication.

**Figure 13**  
The Modernising BBC News initiative

The National Audit Office identified four main aspects to the Modernising BBC News initiative



Source: National Audit Office analysis of BBC documents

**3.5** Some external stakeholders we interviewed welcomed the changes being implemented under Modernising BBC News, such as reducing duplication across platforms. The BBC has also demonstrated certain aspects of good practice in its implementation of the initiative (**Figure 14** overleaf, points 1–4), but also areas for improvement (Figure 14, point 6).

**3.6** The BBC originally planned to conclude its Modernising BBC News initiative in 2020–21. However, it delayed the start of the initiative on more than one occasion, firstly because it prioritised coverage of Brexit and the UK general election, and again in summer 2020 when it decided to implement the changes in phases as it did not want to make major staffing changes that could affect the resilience of its services to audiences during the COVID-19 pandemic. The BBC was also aware that the initiative was likely to be difficult to implement due to potential opposition from staff, as it involved significant redundancies, and from the public because of the potential effects on programming. The BBC did not start the initiative's implementation until July 2020. According to the BBC, these delays had a financial impact on savings of about £1.7 million a month. As of September 2021, the initiative had still not been fully introduced, with implementation and delivery of all associated savings likely to continue into 2022–23. According to the BBC, this is due, in part, to the difficulties in introducing changes when many staff have been working remotely during the COVID-19 pandemic. The BBC had planned to make available a further £13 million to help build News's digital and iPlayer/Sounds presence, but this will not now be fully available until 2022–23 due to the delayed delivery of savings.

### Changes to news programming

**3.7** The BBC's News division has also reduced or cancelled some of its services in order to deliver its required savings. This has included cancelling certain news programmes, such as *The Andrew Neil Show*, reducing the budget of *Newsnight* and reducing Parliamentary coverage (**Figure 15** on page 39). Despite such reductions, the number of actual television content hours produced by the division increased by 4% between 2017–18 and 2020–21 from 4,689 to 4,876 hours, reflecting, in part, an increase in live coverage during the COVID-19 pandemic.

**3.8** Delivering savings in its News division has involved the BBC making significant redundancies (paragraph 1.14), with 520 permanent post closures announced in July 2020, about 9% of its workforce. Of the post closures to date, 35% have been frontline journalist roles. The reductions in headcount and staff costs associated with these post closures have been partly offset by recent increased digital investment in News. This has included recruiting staff with digital skills that the BBC regards as different from those of its current workforce. The prospect of redundancies has affected staff morale. BBC surveys show that staff engagement in the News division has been lower than for the BBC as a whole over recent years.

## Figure 14 Implementation of Modernising BBC News

The National Audit Office's high-level review of the Modernising BBC News initiative identified six key findings

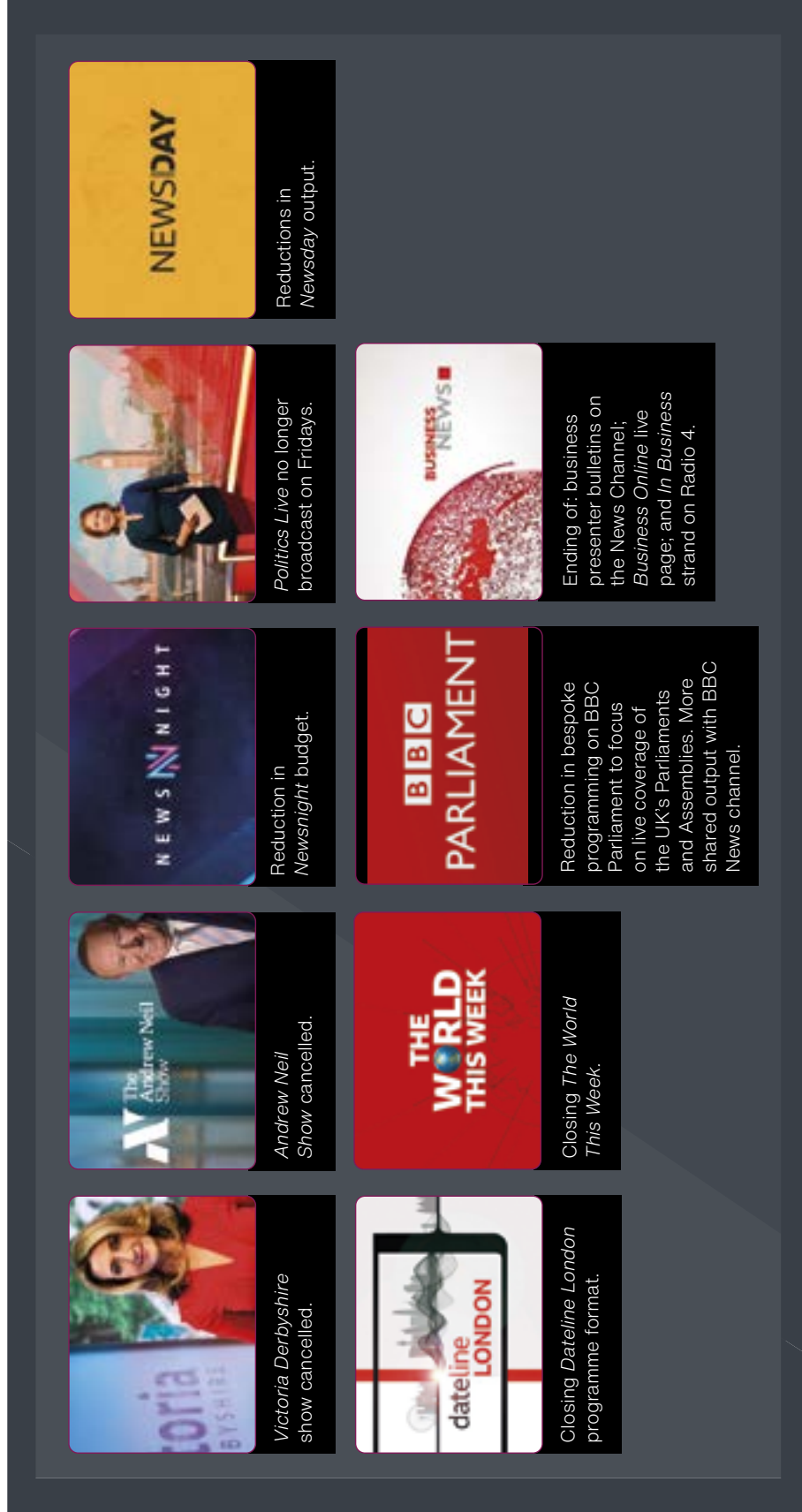


Source: National Audit Office analysis of BBC documents and interviews with key BBC staff



**Figure 15**  
Changes in news programming as part of the savings programme

The BBC's News division has reduced or cancelled some of its services to deliver its required savings



**Note**

1 All images BBC copyright.

Source: National Audit Office analysis of BBC documents

## Nations division

**3.9** The BBC's Royal Charter instructs it to serve the diverse communities of all of the UK's nations and regions. It is obliged by its operating licence to produce a minimum number of hours of national or regional interest programming each year. The BBC's Nations division produces a range of local content across television, radio and online, including 6.30 pm local news programmes on BBC 1, BBC local radio services and bespoke programming in the devolved nations. Its output is split into Scotland, Wales, Northern Ireland and 12 English regions. Nations is the third largest division of the BBC in terms of its headcount, with just over 5,000 staff and total spending of almost £460 million budgeted for 2021-22. It took over responsibility for regional and local news in England from the News division in April 2018.

**3.10** As of September 2021, the Nations division was forecast to deliver £81 million (8%) of the BBC's overall estimated savings of £971 million a year, £9 million less than the £90 million it had expected to make in October 2020 as its contribution to the revised target of £1 billion (Figure 4). As with News division (paragraph 3.6), the BBC had delayed some of its more significant savings measures in Nations division as it believed that the measures were likely to generate opposition from its staff. The measures involved the closure of 450 English regional posts at a cost saving of £25 million per annum, and about 225 posts in Scotland, Wales and Northern Ireland. This was equivalent to a 10% reduction in the Nations division's headcount. The BBC then delayed making these changes again due to the COVID-19 pandemic as it believed they could affect the resilience of its services to audiences. The delay resulted in approximately 150 post closures moving from 2020-21 to 2021-22. The redundancies will be complete by the end of 2021-22, but, as a result of the delay, the full financial benefits of these closures will not be achieved by then.

**3.11** Although the Nations division has made some significant changes in delivering its savings, in most areas change has been more incremental. In these areas it examined individual aspects of its operations to identify the scope for savings and then implemented the improvements it identified across the individual nation or whole division in order to ensure greater consistency of practice. The one exception was its Welsh news operations, which were implementing Modernising BBC News and its radical changes to ways of working. In comparison, the division's other news operations have yet to decide on whether to adopt this initiative. One stakeholder group told us that the result of the division's less radical approach to savings has been to shift existing workloads onto fewer staff. In September 2021 it was reported in the press that regional staff were struggling to keep programmes on-air and considering possible industrial action. BBC staff survey results show that employee engagement in the BBC's Nations division is below the BBC average and has been on a declining trend in recent years.

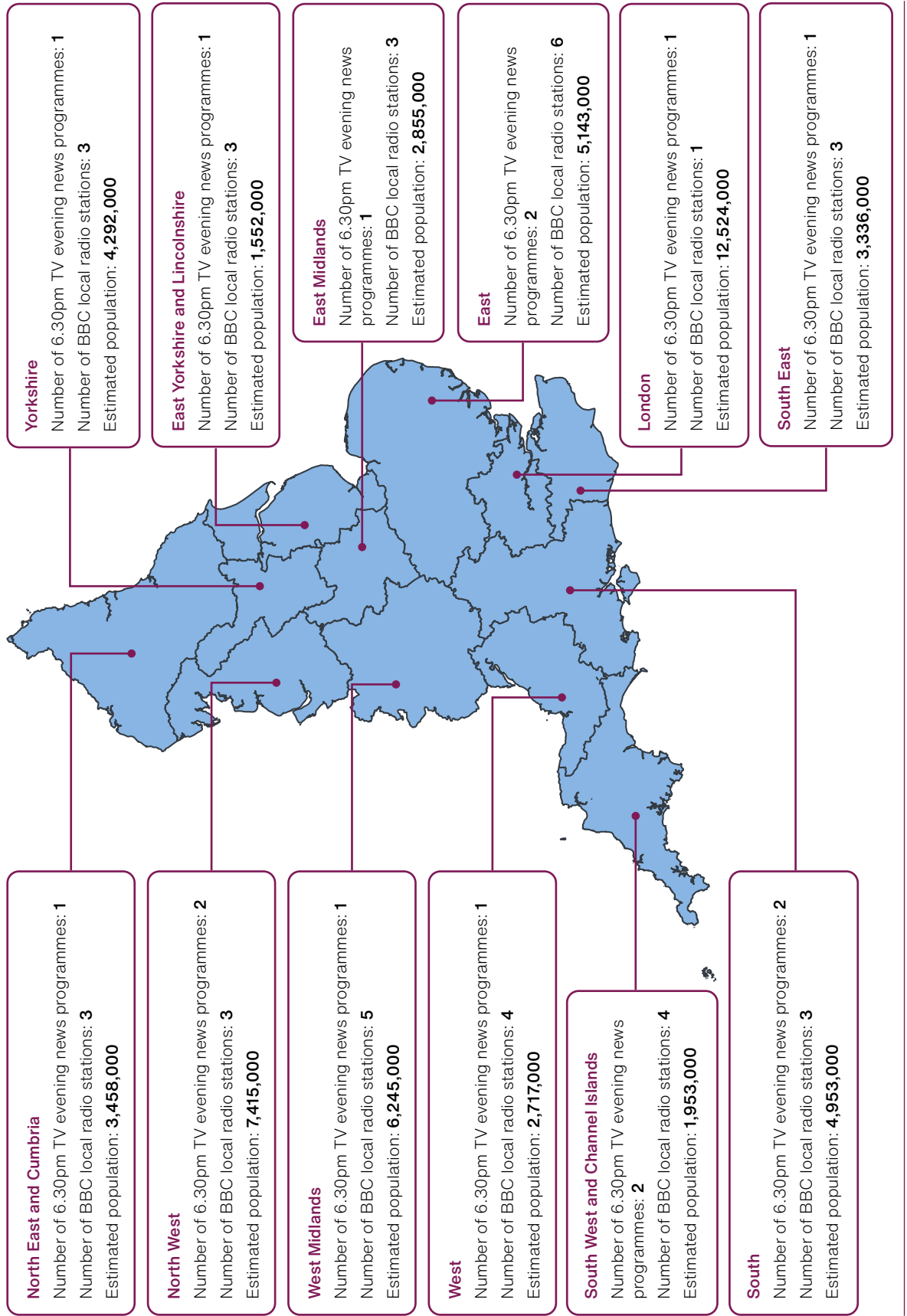
**3.12** The BBC told us that it takes decisions on staffing in each of its regions based on audience needs and the level of output that a local area requires to deliver this (**Figure 16** on pages 42 and 43). The population of each region is not a key driver of the number of staff in its regions. Reflecting this, in considering potential post closures, the BBC examined staffing levels at a local level, such as for individual teams and radio stations, in response to local circumstances and demands. The heads of regions then regularly scrutinised the individual posts proposed for closure, implemented for the most part via voluntary redundancies. However, the BBC gave little consideration to analysing total closures in a region for their impact on that region's overall staffing levels as a final check on the reasonableness of the proposed reductions in staffing. In our opinion, an analysis against the level of population being served in each region would also have served as a useful, additional such check. Our analysis of staffing data generated by the BBC at our request revealed that the extent of these reductions in individual English regions in 2020-21 varied from 8% to 20% (**Figure 17** on page 43).

**3.13** There are signs that post closures made as part of savings measures may have contributed to the BBC's difficulties in providing a full service in times of high staff absence, such as during the COVID-19 pandemic. During the summer of 2021, the Nations division had insufficient staff cover in some English regions during the "Pingdemic." This contributed to the temporary suspension of local news bulletins on breakfast television in England in order to protect the early evening news bulletin. In its budget submission for 2021-22 the Nations division also identified that delivery of the final savings required could impact on its ability to meet Ofcom quotas for content in Scotland. The BBC asserts that, despite these post closures, it would not have been able, or indeed sought, to maintain a full service throughout the pandemic.

**3.14** The BBC contends that it does not base its staffing model on pandemic conditions and, with staffing accounting for around 90% of England's budget, savings will inevitably hit its headcount. Nevertheless, the BBC says it still has more journalists than any comparable organisation and more newsrooms in more locations across England than any other broadcaster or regional news provider. However, the BBC concedes that the impact of the redundancies it has made has been uneven across regions. The BBC mainly implemented post closures using voluntary redundancies. This has led to some inconsistency in the level of reductions. The BBC highlighted that post closures in its South West England region, which experienced the largest proportional headcount reduction in 2020-21 of any English region (**Figure 17**), could potentially have affected the broadcasting resilience of some of the region's radio stations. Now that the changes it introduced have had time to bed in, the BBC intends to re-examine staffing levels across English regions.

**Figure 16**  
BBC England regional characteristics

The BBC's Nations division employs staff in 12 English regions



## Figure 16 *continued*

### BBC England regional characteristics

#### Notes

- 1 BBC England's regional structure is based on the BBC's longstanding TV transmitter system, in place since the 1950s. BBC regions do not align with the regional breakdowns used by the Office for National Statistics.
- 2 The regional boundaries were drawn from a high-level map provided by the BBC using lower layer super output area boundaries (2011). Lower layer super output areas are a geographic hierarchy designed to improve the reporting of small area statistics in England and Wales and are a subset of local authorities. The boundaries and population counts therefore represent a best estimate of the areas covered by each BBC region.
- 3 Estimated population figures are based on Office for National Statistics 2019 mid-year population estimates for local authorities and lower super output areas. Figures have been rounded to the nearest 1,000.

Source: National Audit Office analysis of BBC and Office for National Statistics data. Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right [2021]

## Figure 17

### England headcount change, 2019-20 to 2020-21

#### Headcount reductions have varied by English region

BBC Region	Headcount 2019-20	Headcount 2020-21	Headcount reduction: 2019-20 to 2020-21 (%)
East	370	329	11
East Midlands	242	198	18
East Yorkshire and Lincolnshire	157	144	8
London	196	160	18
North East and Cumbria	230	205	11
North West	301	271	10
South	258	228	12
South East	187	161	14
South West and Channel Islands	254	203	20
West	281	247	12
West Midlands	371	300	19
Yorkshire	263	226	14
<b>Total</b>	<b>3,110</b>	<b>2,672</b>	<b>14</b>

#### Note

- 1 Headcount figures are absolute headcount.

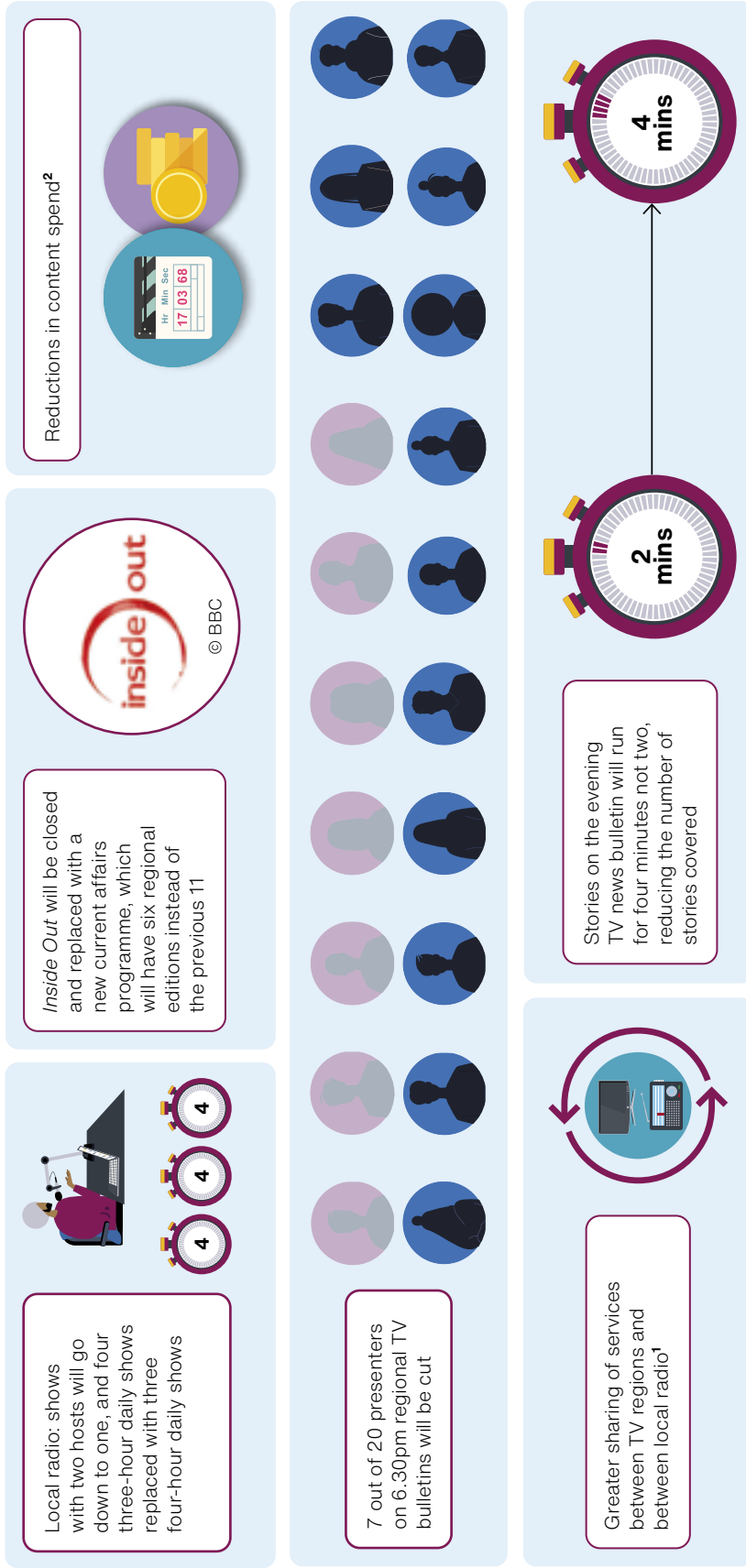
Source: National Audit Office analysis of BBC staffing data

**3.15** The BBC also delayed some of the more significant Nations savings measures until 2020 as these involved changes to its programming (**Figure 18**) and were therefore likely to generate opposition from the public. These have included discernible changes such as reducing the number of hosts presenting radio shows and reducing the number of regional editions of regional affairs programmes. According to the BBC, these changes have not yet had an adverse impact on audience figures. However, they did generate concern among MPs, a number of whom wrote to Ofcom.

**3.16** The Nations division implemented redundancies in all English regions. This included those regions, such as the North, North East and London, where the BBC considers usage by audiences to be significantly less than in other parts of the UK. In 2020-21 England experienced a 14% reduction in television content hours specifically commissioned for the different English regions. In contrast, BBC Scotland is now larger than it was at the start of the savings programme, in terms of spending, headcount and content hours, reflecting the launch in 2019 of the new BBC Scotland television channel. The BBC viewed that the political, creative and cultural landscape in Scotland was changing, and it should therefore give audiences content that resonated more strongly with Scottish audiences and increased the portrayal of Scotland. The Nations division is seeking to address the problem of under-served audiences in certain areas of England by examining the scope for opening new local radio stations.

**Figure 18**  
Examples of Nations programming reforms

The BBC's Nations division has made changes to its programming and staffing



**Notes**

- 1 Examples provided by the BBC of sharing services between regions included a buddying programme to pool resources between TV regions, sharing music programmes between regions if still culturally relevant, and sharing news stories across regions where the story may be of interest more widely.
- 2 Examples of reductions in content spending include:
  - 40%–45% reduction in content hours for Inside Out replacement programme, resulting in an overall reduction in regional programming output of about 43 hours each year;
  - rationalised radio schedule on weekends;
  - move from originated Scottish content to cheaper acquisitions; and
  - reduction in sports rights spend in Northern Ireland.

## Part Four

### The BBC's future savings and reforms

**4.1** This part of the report examines the future reforms which the BBC has set out to make and its assumptions of the savings it will need to achieve to deliver these and respond to its next licence fee settlement.

#### **Future reforms**

**4.2** In September 2020, the BBC's new Director-General identified that the BBC needed to make fundamental changes and accelerate its pace in areas including meeting the needs of under-served audiences, in order to be able to meet its new strategic priorities (Figure 1). Subsequently, the BBC has started to address these priorities. For example, it has started to reduce spending on television content for BBC 2 and BBC 4 in order to spend more on content for BBC One and BBC Three (paragraph 2.6). It also intends to reopen BBC Three as a broadcast television channel in early 2022.

**4.3** Our January 2021 report, *The BBC's strategic financial management*, highlighted that the BBC had not set out how its new strategic priorities would be funded but that it intended to do so by February 2021. The BBC's planned reforms are likely to require investment. For example, as of October 2021, the BBC estimated that 485 posts would be moving out of London under its "Across the UK" initiative, with one-off transition costs totalling about £60 million.

**4.4** Subsequently, in February 2021, the BBC set out its investment plans in its budget for the coming years. As of December 2021, the BBC and the government were still negotiating on the level of the licence fee after 2021-22. It will therefore need to revisit its plans to reflect the final licence fee settlement and the significant increases in actual and forecast general inflation that have occurred since March 2021.



## **The composition of future savings**

**4.5** Our January 2021 report, *The BBC's strategic financial management*, also highlighted that the BBC had not conducted an analysis of potential changes to the licence fee and the possible impact of these on its operations. Subsequently, the BBC has assessed a range of scenarios which model different outcomes arising from its negotiations with government on the licence fee. In this analysis, it has identified that the gap between its income and its expenditure by 2027-28 would require it to make savings of at least a roughly similar magnitude to those it has delivered in previous savings programmes. As of December 2021, the exact extent of savings it will need to deliver was still unknown as negotiations with the government were still ongoing.

**4.6** The BBC considers that, due to its delivery of productivity savings in previous years, delivering further such improvements will continue to be difficult and it will therefore have to make further reductions to content and services if it is to deliver savings going forward. According to the BBC, making savings of an even higher magnitude to those it has already delivered would require further significant scope cuts to its key products, including across television, radio, Nations and news. The BBC intends to continue to take account of audience considerations when deciding on such future cuts to its content.

## **New areas for making savings**

**4.7** Despite these difficulties, in our view there are still opportunities for further productivity improvements. In order to continue to provide its services during the COVID-19 pandemic, the BBC had to change certain aspects of how it operated. For example, there was an increase in remote, online content production. At the same time, audiences proved more willing to tolerate lower production standards than thought in certain areas, although it remains to be seen if this trend will continue into the future. The BBC's own benchmarking in 2021 of its finance and procurement highlighted the scope for productivity improvements from greater use of technology and standardisation of BBC operations. We also note that, as of December 2021, the BBC had only introduced new ways of working in local news production in the Wales newsroom (paragraph 3.11). As of December 2021, the BBC was considering the extent to which the changes introduced during the COVID-19 pandemic could be sustained, and the extra investment required and the challenges involved in making the changes permanent.

## **Future commercial returns**

**4.8** In March 2021, the BBC announced that it planned to increase returns from its main commercial subsidiary by 30% to £1.52 billion in total over the five years from 2022-23, from its target of £1.17 billion for the previous five-year period, 2017-18 to 2021-22. To achieve this, as of December 2021 the BBC plans, among other things, for BBC Studios to increase its returns from making and distributing content for children around the world. The BBC also intends that Studios generate more income by expanding its overseas BritBox service in up to 25 markets. In February 2021 Studios also launched a new Subscription Video-on-Demand service, BBC Select, for culture, politics and ideas, in the USA and Canada.

**4.9** The BBC considers the 30% increase to be an ambitious target as, according to its market intelligence, such an increase would be above projected market growth and is higher than the increase of around 20% when it set its £1.17 billion target for 2017-18 to 2021-22. The BBC expects to deliver the 30% increase from growth in its commercial income rather than through reductions in the costs of its commercial activities. However, achieving the 30% increase would still only result in a small increase in the income available to the BBC for programme-making. The 30% increase is equivalent to around £50 million extra a year.

**4.10** The BBC contends that delivery of income growth beyond this is likely to require investment that would need to be funded by an increase in the borrowing limits placed on its commercial activities by the Department for Digital, Culture, Media & Sport. In October 2021 the government agreed to increase the borrowing limits for these activities from £350 million to £750 million, subject to the confirmation of oversight arrangements, with the increase taking place in steps between 2022-23 and 2026-27.

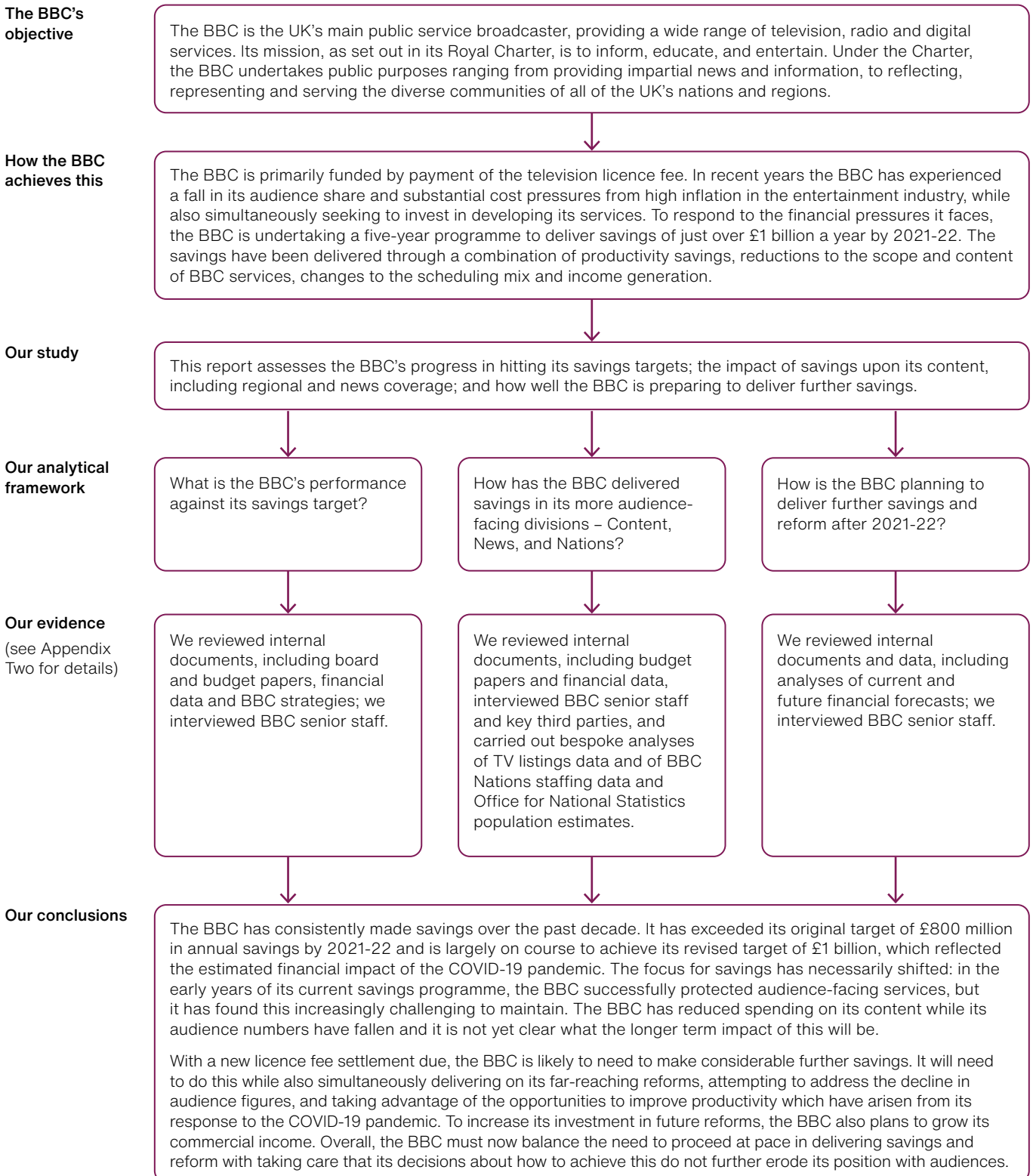
# Appendix One

## Our audit approach

**1** This report assessed the BBC's delivery of a five-year savings programme, undertaken in response to the financial pressures it faced. It examined the BBC's:

- progress in delivering its savings (Part One);
- approach to delivering the savings in the three specific BBC divisions – Content, Nations and News – which have delivered the most savings since 2019-20 (Parts Two and Three); and
- plans to deliver further savings and reform after 2021-22 (Part Four).  
See **Figure 19** overleaf.

**Figure 19**  
Our audit approach



# Appendix Two

## Our evidence base

**1** We reached our conclusions following analysis of evidence collected between June and October 2021. Our audit approach is outlined in Appendix One.

### **Document review**

**2** We reviewed key internal BBC documents, including:

- BBC board and committee papers;
- strategic and budget planning papers; and
- internal management reports.

### **Interviews**

**3** We conducted interviews with:

- senior management staff at the BBC, including their senior strategic and financial staff, to understand how they delivered the current savings programme and their planning for future savings; and
- key third parties, including Ofcom, the Department for Digital, Culture, Media & Sport, ITV and trade unions and trade associations.

### **Data analysis**

**4** We conducted analysis of the BBC's financial data, such as the composition of savings and expenditure in real terms on the BBC's pay-bill and content. For this, we used BBC documentation and financial accounts.

**5** We analysed BBC staffing data to estimate the number of Nations division employees in each English region. Employees were assigned to regions based on their building address in BBC staffing data. To estimate the population within each region, we first reproduced the BBC's map of English regions, preserving local authority district geometry where this closely aligns with the BBC region boundary. Where the BBC region did not align with local authority geometries, we divided lower super output areas between the BBC regions, closely aligning to the boundary lines of each BBC region as far as possible. Once the map was finalised, we used Office for National Statistics mid-year population estimates for lower layer super output areas to estimate the population for each region as a whole. Lower layer super output areas are a geographic hierarchy designed to improve the reporting of small area statistics in England and Wales and are a subset of local authorities.

### **Deep-dive exercise**

**6** We examined the approach to delivering the savings undertaken by the three BBC divisions – Content, Nations and News – which have delivered most savings since 2019-20. In addition to reviewing divisional papers and interviewing divisional management, we also reviewed 10 individual savings measures implemented by these divisions from 2019-20 onwards. These measures were forecast to deliver total annual savings of almost £197 million by 2021-22 and were drawn from all four of the savings categories used by the BBC.

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