



National Audit Office

OVERVIEW

The BBC Group

Departmental Overview 2021-22

We are the UK's independent
public spending watchdog

November 2022

What this guide is about

This guide has been produced to support the Department of Digital, Culture, Media and Sport select committee in examining the spending and performance of the British Broadcasting Corporation (BBC). It summarises key information and insights contained in our recent work on the BBC and in its Annual Report and Accounts. The BBC spends over £5 billion each year producing content and running its radio, news and education services.

The guide includes:

- ➔ how the BBC is structured and where it spends its money;
- ➔ the BBC's strategy, funding and recent key developments.
- ➔ how the BBC manages its money and people; and

How we have prepared this guide

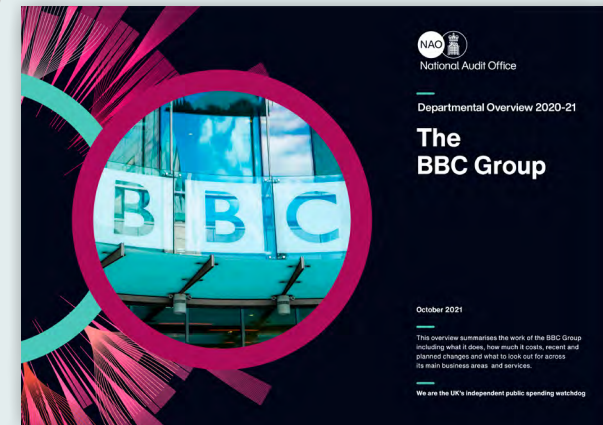
The information in this guide draws on findings and recommendations from our financial audit and value-for-money programme of work, and from publicly available sources, including the annual report and accounts of the BBC and its bodies.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value-for-money or other reports, details of our audit approach can be found in the Appendix of each report, including the evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

Other relevant publications

More information about our work on the BBC, as well as about our other recent and upcoming reports, can be found on our website.



This report updates our previous overview, Departmental Overview 2020-21: The BBC Group, published in October 2021.

Departmental Overview

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About the National Audit Office

The National Audit Office (NAO) is the UK's independent public spending watchdog. We scrutinise public spending for Parliament and are 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 2021, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £874 million.

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About the BBC Group

The BBC is the UK's main public service broadcaster

The BBC's constitutional basis is set out in its Royal Charter. This establishes its independence, primary mission and public purposes. The Charter is reviewed periodically by the government, and the current 11-year Charter came into effect on 1 January 2017.

The BBC is a public corporation sponsored by the Department for Digital, Culture, Media and Sport (DCMS), and is in its centenary year in 2022.

The BBC is a public service broadcaster. Public service broadcasting in the UK is delivered by specified television services designed to meet purposes and objectives set by Parliament. The UK's other current public service broadcasters are ITV, STV, Channel 4, S4C and Channel 5.

The BBC's public service broadcasting services are the largest part of the BBC Group. Its principal funding comes from the television licence fee, which is the BBC's largest source of revenue.

Based on the Royal Charter, the BBC's mission is to act in the public interest, serving all audiences by providing impartial, high-quality and distinctive output and services that inform, educate and entertain.

- **Inform:** the BBC regards this role as mainly delivered by its BBC News, which is used by 8/10 British adults each week.
- **Educate:** the BBC provides services such as Bitesize, which in 2021-22 was used by 75% of secondary school pupils and 64% of primary school pupils.
- **Entertain:** on an average day in 2021-22, over 27 million people watched BBC evening entertainment and 6.6 billion programmes streamed on BBC iPlayer during the year.

The BBC's commercial activities

Alongside public service broadcasting, the BBC's Charter permits it to undertake commercial activities, provided that these:

- fit with the BBC's mission and public purposes; are not funded through licence fee income; and are undertaken with a view to generating a profit.

The main commercial entity is BBC Studios.

Royal Charter

Under the Charter, 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 the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom.

5

To reflect the United Kingdom, its culture and values to the world.

In May 2022, the government started work on a mid-term review of the BBC's Charter, which must be completed between 2022 and 2024. The review focuses on the BBC's governance and regulatory arrangements.

Part One // Overview

How the BBC is structured

The BBC Group structure separates its Public Service Broadcasting (PSB) activities from its commercial operations, as per its Charter. The PSB part of the BBC receives licence fee income for the purpose of making content available to licence fee payers. The commercial arm of the BBC Group is self-funded and operates independently from the PSB part. The commercial businesses deal with the PSB part on an arm's-length basis – for example, paying arm's-length prices for PSB-owned content. They also distribute some of their profits back to PSB as a dividend.

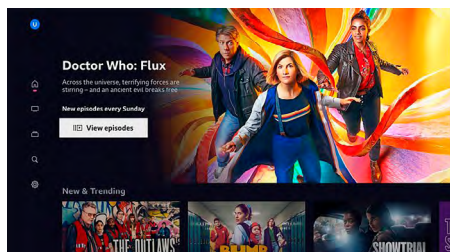
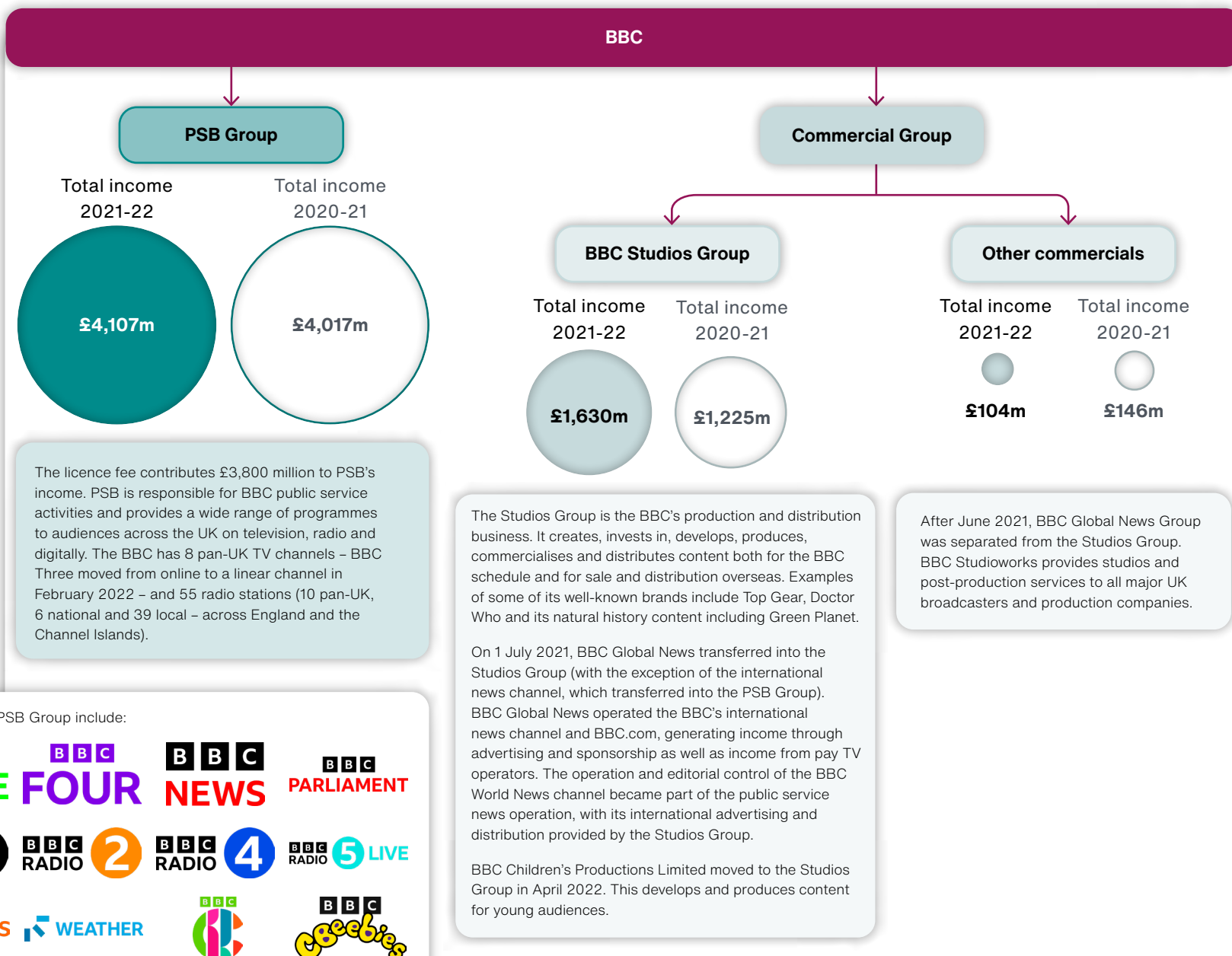


Image: © BBC 2022



Some examples of well-known services provided by the PSB Group include:



Financial management

Overall financial position

The BBC maintained a surplus in 2021-22 at £206 million – a reduction from £227 million the previous year. Operating costs have increased by £432 million, following the disruption that COVID-19 had in the previous year on production and the postponement of major events. This was coupled with an increase in commercial income of £333 million.

In 2021-22, licence fee income totalled £3,800 million, 71% of total BBC Group income of £5,330 million. Although licence fee income in 2020-21 was lower than in 2021-22, at £3,750 million, it formed a higher percentage of 2020-21's total income, at 74%.

The C&AG's audit opinion

The Comptroller and Auditor General (the C&AG) provides an independent audit opinion on over 400 individual accounts across the public sector, in line with the applicable standards set out in his audit certificate. His opinion comprises two main parts:

1. A true and fair audit opinion on each account. This involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.
2. An audit opinion on regularity on the vast majority of accounts. This involves obtaining evidence that resources have been used in the way that Parliament intended and authorised.

The C&AG issued unqualified true and fair opinions including regularity audit opinions on the BBC Group accounts in 2021-22

The C&AG also issued unqualified true and fair opinions on the commercial subsidiary accounts in 2021-22. An audit opinion on regularity is not required for commercial activities because these are not publicly funded.

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 with government ministers.

In line with the previous year, this year's regularity opinion was not qualified.

”

In my opinion, the consolidated financial statements: give a true and fair view of the state of the BBC Group's affairs as at 31 March 2022 and of its surplus for the year then ended; have been properly prepared in accordance with UK adopted international accounting standards; and have been prepared in accordance with the Royal Charter for the continuance of the British Broadcasting Corporation and directions issued by the Secretary of State for Digital, Culture, Media and Sport or the Foreign Secretary thereunder.

Gareth Davies, C&AG



£ **£5,330m** Consolidated Group BBC income
(up £266m from 2020-21)

PSB – £4,107m

Licence fee income
£3,800m (up £50m
from 2020-21)

Other income
£307m (up £40m
from 2020-21)

Commercials – £1,734m

Studios Group
£1,630m (up £375m from
2020-21)

Other commercials
£104m (down £42m from
2020-21)

Intra-Group
eliminations –
£511m



£ **£5,231m** Operating Costs
(up £432m from 2020-21)



£ **£206m** Net Surplus
(down £21m from 2020-21)

Part Two // Spending and financial management

Where the BBC spends its money

**The BBC spent
£4,141 million
on public service broadcasting
in 2021-22**

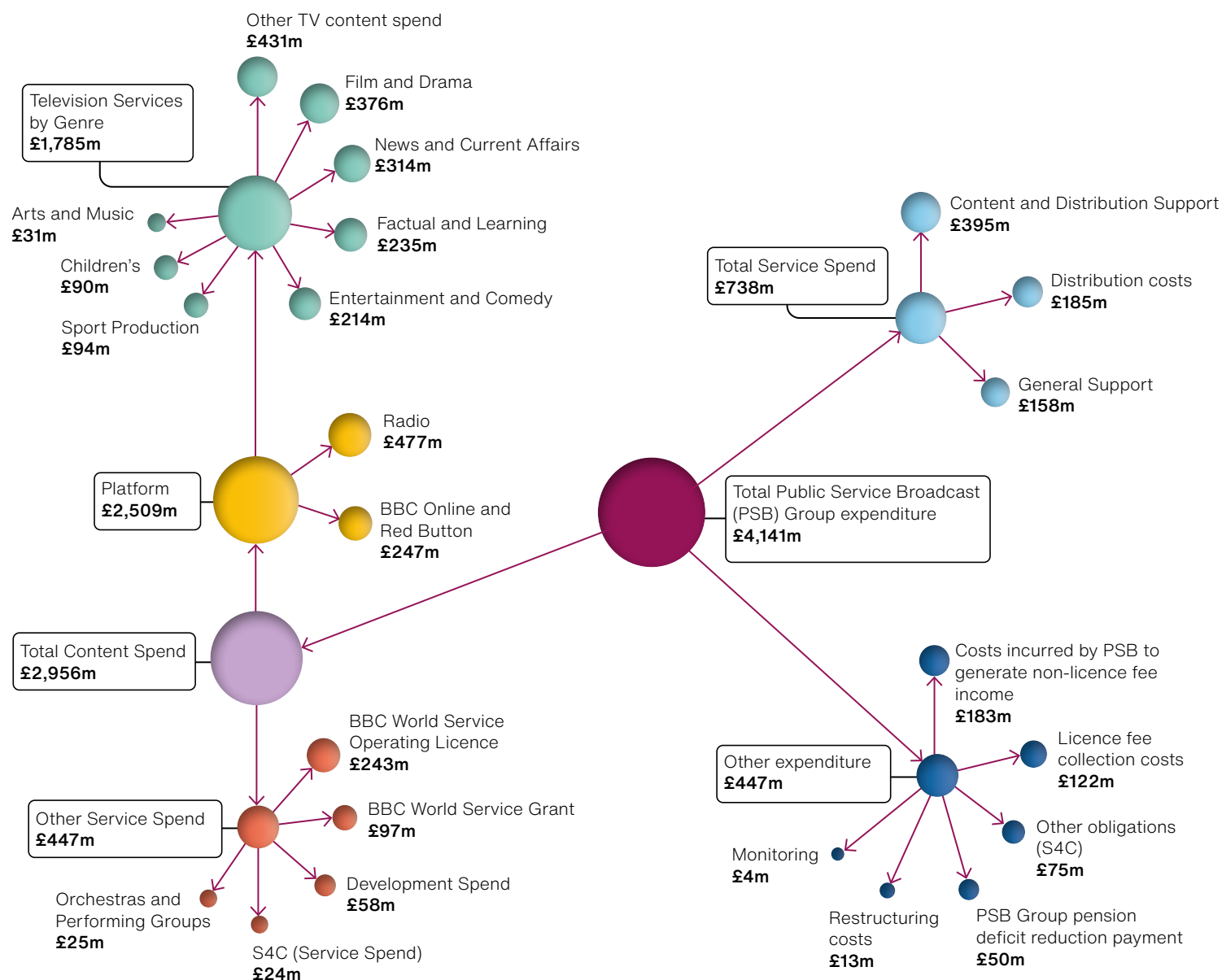
Highlights:

The BBC spent £2,956 million directly on content in 2021-22, an increase of £438 million on the previous year. This increase was in part due to the cost to the BBC of covering major sporting events that had been postponed from 2020-21 because of the COVID-19 pandemic.

The BBC's television spending totalled £1,785 million in 2021-22. £376 million of this was on film and drama, and £314 million on news and current affairs.

The BBC spent £340 million on the World Service in 2021-22, £97 million of which was funded by the Foreign, Commonwealth & Development Office (FCDO). In April 2022, the FCDO confirmed further investment in the World Service of £283 million for the three years to March 2025.

Licence fee collection costs of £122 million accounted for 3% of spending in 2021-22, and were lower than costs of £136 million in the previous year.



Part Two // Spending and financial management

BBC licence fee income

Factors driving the increase in licence fee income since 2020-21

In April 2021, the licence fee increased in line with CPI inflation from £157.50 to £159.

The total number of paid-for licences increased by 23,000 from 23.849 million in 2020-21 to 23.872 million in 2021-22.

In contrast, the total number of licences in force declined by 302,000 (1.2%), from 25.208 million in 2020-21 to 24.906 million in 2021-22, because of a fall in the number of free licences issued to people aged over-75.



£3,800m

licence fee income
(up £50m from
2020-21)

Figure 1: Licence fee income

The BBC collects the licence fee on behalf of the government's consolidated fund. Licence fee income is then drawn down from the consolidated fund by the Department for Digital, Culture, Media and Sport (DCMS) and passed back to the BBC as grant in aid

	Licences in force as at 31 March 2022	Total income 2022	Licences in force as at 31 March 2021	Total income 2021
	'000	£m	'000	£m
Received from DCMS	23,872	3,800	23,849	3,747
BBC funded ¹	1,034	–	983	–
General notice coverage ²	–	–	376	–
Received from the Department for Work and Pensions (over-75s)	–	–	–	3
Total paid-for licences	24,906	–	25,208	–
Total licence fee income	–	3,800	–	3,750

Notes

- Primarily relates to free licences issued to anyone over 75 who receives Pension Credit. Licence holders who are over 75 and resident in an Accommodation for Residential Care (ARC) scheme or an ARC scheme with Preserved Rights are also eligible for a free licence.
- Those over-75s who were issued with a free licence before 1 August 2020 and then failed to apply for a new free licence, or buy a licence, under the new policy for over-75s were given a period of grace under which their existing licences were counted as still being in force. This period ended on 31 July 2021, and these licences were no longer counted as valid from then on.

Licence fee collection

By law, you must purchase a licence if you:

- watch or record programmes as they are being shown on TV;
- view live streams via an online TV service such as Amazon Prime; or
- download or watch BBC programmes on iPlayer.

The BBC has contracted out most licence fee collection activity to Capita Business Services Ltd. In February 2022, it extended its contract with Capita for a further five years from July 2022.

In August 2020, the BBC began charging over-75s not in receipt of Pension Credit for their TV licences, while continuing to issue free licences (paid for by the BBC) to over-75s in receipt of this benefit.

In 2021-22, the BBC's estimate of the evasion rate (the percentage of households not buying a licence although legally required to do so) increased to 8.93%, up from 6.95% in 2019-20.¹ This increase was due to the COVID-19 pandemic previously limiting visits to people's homes to check whether they had a TV licence, and also due to the change in policy for free licences for over-75s.²

Notes

- The BBC was unable to produce an evasion estimate in 2020-21 due to the unavailability of external data as a result of the pandemic.
- The new over-75s policy resulted in the inclusion in the evasion rate calculation of a new cohort of paying customers from August 2021 – namely, over-75s not in receipt of Pension Credit. Previously, over-75s receiving a free licence were included in the evasion rate but scored as 100% compliant.

The future of the licence fee

In January 2022, the Secretary of State for DCMS announced the BBC's licence fee settlement. The fee will be frozen for two years, 2022-23 and 2023-24. It will then increase in line with inflation for the four years between 2024-25 and 2027-28.

The BBC has estimated that this will leave it with a funding gap of £285 million per year by 2027-28.

In its April 2022 Broadcasting White Paper, DCMS confirmed its intention to review the licence fee funding model for the BBC beyond 2027-28.

BBC commercial income

Commercial performance in 2021-22

In 2021-22, before allowing for intra-group eliminations, the BBC's income from its commercial operations totalled £1,734 million, an increase of £333 million on such income in 2020-21.

As a result, the BBC's Commercial Group achieved an EBITDA (earnings before interest, tax, depreciation and amortisation) of £226 million, compared with £144 million in 2020-21. This was driven by an increase of 56% in production sales after production activity resumed following the shutdowns of 2020.

The great majority of the BBC's commercial income is generated by BBC Studios Group, which delivered its highest revenues to date of £1,630 million in 2021-22.

BBC Studios' investment in content increased by 67% to record levels and its cash position remained strong, with the business well-positioned for future growth. To drive long-term revenue and profit growth, BBC Studios Group expects to significantly increase investment in content and services, which in some cases may depress short-term profitability.

BBC Studio Productions, BBC Studios' programme-making arm, significantly increased its income for the year by about £150 million. This was driven by full recognition and delivery of planned productions that had been delayed due to COVID-19, and a budgeted increase in production sales.

Each year, the BBC's PSB Group receives dividends from its commercial subsidiaries. In 2021-22, BBC Commercial Limited made a £144 million dividend payment to the PSB Group – an increase of £71 million from the previous year.

Key commercial revenue streams in BBC Studios Group

▼ ▼ **£344m** Content and format sales
(decrease of 3.9% from 2020-21)

▲ ▲ **£630m** Production income
(increase of 61.1% from 2020-21)

▲ ▲ **£294m** Advertising income
(increase of 71.9% from 2020-21)

▼ ▼ **£218m** Subscription fees
(decrease of 1.4% from 2020-21)

Staff and pay

Trends in staff and pay

The number of full-time equivalent staff employed by the BBC fell by 241 in 2021-22 to 21,125.

The median gender pay gap is the difference in average gross hourly earnings between female and male employees, based on salaries paid directly to employees before income tax and social security contributions are deducted. This gap increased to 5.9% in 2021-22, compared with 5.2% in 2020-21. The BBC's median gender pay gap is significantly lower than the national median gap of 15.4%.

The number of senior leaders in the BBC PSB Group reduced from 241 to 234 in 2021-22.

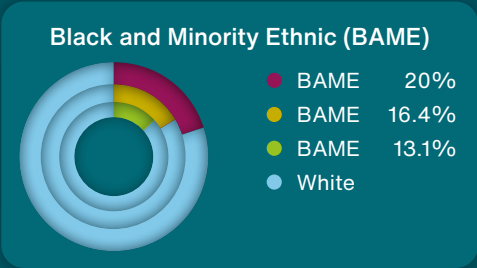
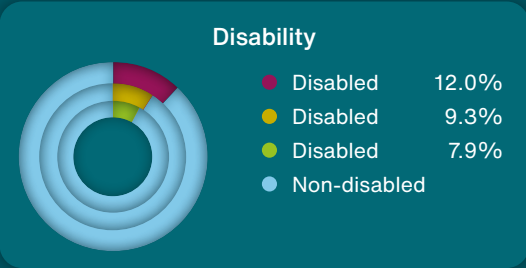
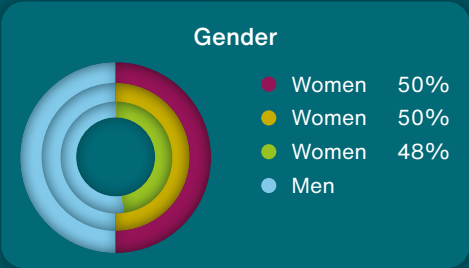
£1,049 million was spent on salaries and wages in 2021-22, compared with £1,087 million in 2020-21.

Four of the five of the BBC's most highly paid on-air talents are male.

Pan-BBC – All staff and leadership: 31 March 2022

Key

- Target by 2026-27
- All staff at March 2022
- Leadership at March 2022



Note

¹ SES is a new target from the May 2022 Framework Agreement update, hence not included as at March 2022.

Source: Civil service statistics: 2022, available at: www.gov.uk/government/statistics/civil-service-statistics-2022

Full-time equivalent number of persons employed at 31 March 2022

Group	2022			2021	Annual change
	Staff excluding apprentices	Apprentices	Total	Total	
PSB Group	17,531	250	17,781	18,190	-409
BBC Studios	3,315	16	3,331	2,780	+551
Other commercial	140	0	140	523	-383
Group total	20,986	266	21,252	21,493	-241

The table below provides a summary of the changes to the Director-General's cash earnings for 2021-22 versus the change in pan-BBC median earnings over the same period. The Director-General's remuneration had remained at £450,000 since 2012 and was increased to £525,000 when Tim Davie was appointed in September 2020. However, because all senior managers at the BBC were on a salary freeze in 2020, this increase was not actioned until September 2021.

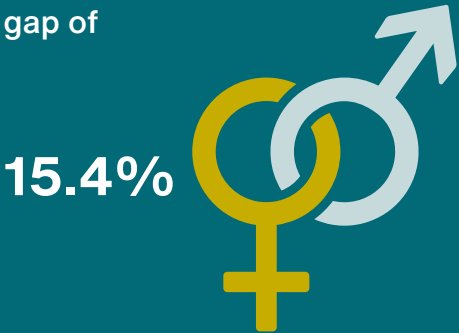
Pay multiples 2021-22

	2021-22	Change	2020-21
	£000s	%	
Director-General earnings	525	17	450
Pan-BBC median earnings	46.4	1	45.9
Pay multiple	11.3	-	9.8

Top 5 on-air talents pay (£000s)

	Gary Lineker	1,350-1,355	2021-22
		1,360-1,365	2020-21
	Zoe Ball	980-985	2021-22
		1,130-1,135	2020-21
	Steve Wright	450-455	2021-22
		465-470	2020-21
	Alan Shearer	450-455	2021-22
		390-395	2020-21
	Stephen Nolan	415-420	2021-22
		405-410	2020-21

The BBC's median gender pay gap is significantly lower than the national median gap of



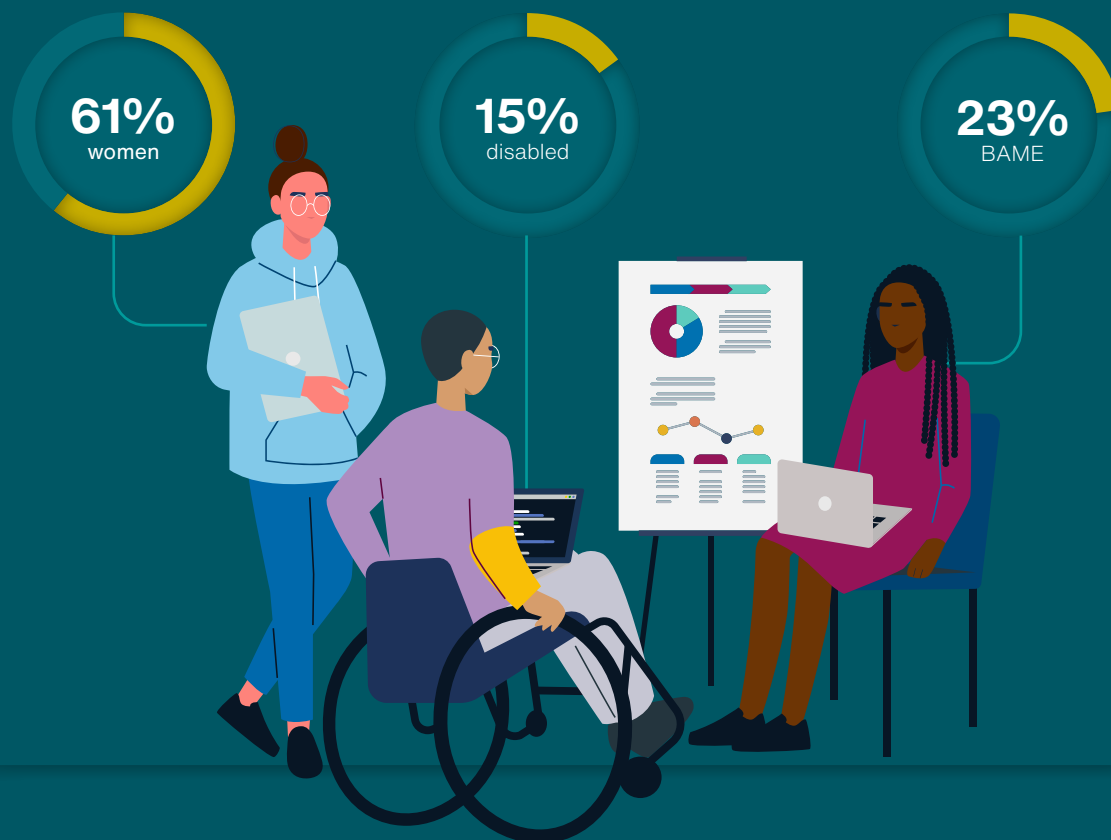
Part Three // Staff and pay

Staff and pay continued

Reshaping the BBC's workforce: apprenticeships

The BBC has achieved its target of increasing its number of apprentices. In 2021-22, its Early Careers Apprenticeship cohort had a diversity profile of 61% female, 23% Black and Minority Ethnic (BAME) and 15% disabled staff. In January 2022, the Education and Skills Funding Agency also approved the BBC's application to set up an Apprentice Hub in the West Midlands.

The BBC's Early Careers Apprenticeship diversity profile



BBC targets for improving diversity

The fourth public purpose of the BBC is to reflect, represent and serve the diverse communities of all the UK's nations and regions.

As per its updated Framework Agreement from May 2022, the BBC must deliver plans to make significant progress in the diversity and makeup of its workforce by the end of the Charter (31 December 2027), and in particular against the Board's targets of 50% women, 20% from Black, Asian and Minority Ethnic groups, and 12% disabled people. The BBC is also required to deliver against its new target of 25% of its workforce being from low socio-economic groups

To date, the BBC has made good progress, hitting its first-year targets across most areas, except for disability.

The BBC's 50:50 Equality Project is its most significant collective action on increasing representation in BBC content to date. This is supported by the BBC setting a 50:50 target for the gender split in on-air talent earning over £150,000. This year the split stands at 55% male and 45% female.

Part Four // Key developments this year within the BBC

The BBC in 2021-22

Use of BBC services by the public in 2021-22

The BBC continues to be a valued source of information, education and entertainment with strong public support.

In 2021-22, the UK public chose to use the BBC 260 million times per day and spent 53 billion hours consuming BBC content across the year.

On average, 90% of British adults used the BBC per week, against a target of 85%–90%.

When UK news consumers were asked to pick the one source they were most likely to turn to for trusted news, 48% chose BBC News, ahead of the next nearest, Sky News and ITV, on 8% and 6% respectively.

The BBC covered major news events

During the week that the war in Ukraine started, the BBC's online news output was used by an estimated audience of over 280 million people. The BBC also saw record use of its Ukrainian and Russian-language services: its Ukrainian language platforms reached 6 million people, and its Russian language platforms 17 million people before services were blocked. When Russia tried to cut off the flow of information in Ukraine, the BBC relaunched its use of short-wave radio to broadcast its World Service news in English for four hours a day in Kyiv, the Ukrainian capital, and in parts of Russia.

In September 2022, after this financial year, BBC TV's coverage of the funeral of Her Majesty Queen Elizabeth II on 19 September was seen by 32.5 million viewers.¹

Note

¹ Figures do not include entirety of on-demand viewing on iPlayer.

BBC
NEWS



BREAKING NEWS

21:26



The BBC as it emerges from the pandemic

BBC viewing is down year-on-year, albeit less than the broadcast market overall.

The average weekly reach of BBC news online to UK adults (aged 16+) is

34%, above the BBC's target of 30%

This is down on the 36% in the previous, COVID-19 news-heavy year but up on viewing before the pandemic.

Weekly usage of BBC Bitesize is back to 2019-20 levels after the home-schooling peaks of 2020-21.

BBC Radio listening has increased since the COVID-19 pandemic, but not over the longer term.

The BBC has reached

492 million people

each week across the world. In 2013 the BBC set itself the challenge of doubling its global audience to reach 500 million people by its centenary in 2022, and more than both Netflix and Disney's global subscribers combined.

The BBC reports that it has

60% awareness

across the world, higher than other cultural exports such as British sports, universities and technology, with the majority of its global users saying that the BBC makes them perceive the UK more positively.

Part Four // Key developments this year within the BBC

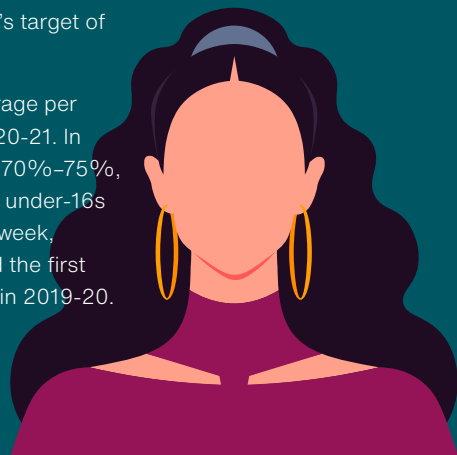
The BBC's audiences in 2021-22

Use of BBC services by younger audiences

81%

of 16- to 34-year-olds used the BBC on average per week compared with 80% last year. This is above the BBC's target of 75%–80%.

In 2021-22, 73% of under-16s used the BBC on average per week. This fell from 81% in 2019-20 and 77% in 2020-21. In 2020-21 the BBC reduced its target for this group to 70%–75%, down from 70%–80%. In 2021-22, the average time under-16s spent using BBC services was 4 hours 33 minutes a week, down from 5 hours in 2020-21 (the year that included the first lockdowns of the pandemic) and 4 hours 55 minutes in 2019-20.

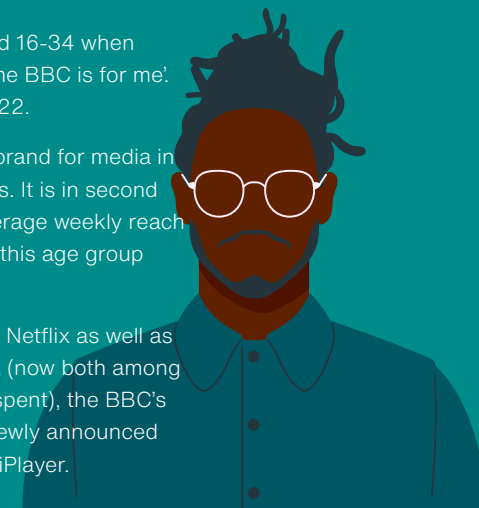


6/10

was the mean score given by people in the UK aged 16-34 when asked to give a rating out of 10 on the statement 'the BBC is for me'. This is in line with the target the BBC set for 2021-22.

The BBC holds the top position for the most used brand for media in 2021-22 for each age bracket, except for under-16s. It is in second place for this age group, after YouTube, with an average weekly reach of 73%. It is the only UK provider used by most of this age group per week.

With the intensity of competition from YouTube and Netflix as well as from the recent propositions of Disney+ and TikTok (now both among the top five video providers for under-25s by time spent), the BBC's strategy to maintain younger audiences includes newly announced plans to shift investment into new programmes for iPlayer.



53%

of under-16s used the BBC's children's and education services, such as CBeebies, CBBC and BBC Bitesize, on average per week in 2021-22. This was in line with the BBC's target of 50%–55%.

While the BBC still reaches an overwhelming majority of young people, overall changes in viewing habits pose a financial risk given that younger viewers represent the licence fee payers of the future.



BBC iPlayer usage continued to increase in 2021-22

The number of requests to stream programmes over iPlayer in 2021-22 was a record

6.6 billion,

 up by 8% from 2020-21.

The year also saw BBC iPlayer offer viewers more box sets of returning and classic shows, and live sport – from the Olympics to the Euros and the FA Cup – as well as news coverage. In 2021-22 the BBC achieved record use of iPlayer. In January 2022 there were 13.3 million weekly sign-ins to iPlayer accounts, and 54 million weekly hours of viewing on iPlayer. Weekly sign-ins increased to 13.5 million in February 2022.

BBC dramas are also a big driver of viewing on iPlayer – for example, 'Line of Duty' was iPlayer's biggest box set of 2021.

8/10

 weekly users' rating of BBC iPlayer among adult and 16-34 users.

The BBC's strategic priorities in 2021-22

In September 2020, the BBC announced its new 'Value for All' strategy. This is supported by the then new Director-General's key strategic priorities.

1



A renewed commitment to impartiality.

2



A focus on unique, high-impact content that delivers value for all audiences.

3



The extraction of more value from online.

4



The building of commercial income to secure additional investment for programme-making and to maximise financial value for licence fee payers.

5



Creating a modern, highly efficient BBC.

The BBC's strategic priorities in 2021-22: Impartiality

The strategic priorities set for the BBC by the Director-General in September 2020 included a renewed commitment to impartiality.

Out of all news sources, the BBC has the highest number of users rating it as impartial.

In October 2021, the BBC published the Serota Review. This was in response to Lord Dyson's investigation, earlier in the calendar year, regarding the 1995 Panorama interview with Princess Diana. Dyson concluded that the "BBC fell short of high standards of integrity and transparency". The Serota Review involved a far-reaching review of the BBC's editorial processes, governance and culture.

The Director-General and the BBC responded to the Review's recommendations with a 10-point plan on impartiality and editorial standards, designed to embed the highest standards across the organisation and to address concerns regarding unconscious bias. The plan aimed to ensure that BBC content, not just in News but across all its output, was fair, accurate and impartial, and reflected a broader set of viewpoints and perspectives from across the UK. In July 2022, the BBC announced that it had either completed or was progressing all the actions from the 10-point plan and Serota Review.

Following the Dyson review, the BBC has made a number of settlement payments. It has paid damages to individuals affected by the 1995 Panorama interview with Diana, Princess of Wales.

In September 2022, the BBC also indicated its intention to donate to charity the sales proceeds derived from the Panorama interview. A sum of £1.42 million has been divided equally between seven charities linked with Diana, Princess of Wales. These donations have come from the BBC's commercial revenue, not from the licence fee.

In 2021-22, Ofcom found the BBC in breach of the Broadcasting Code on one occasion. This related to an inaccurate report regarding Alex Salmond on the BBC News at Six on 26 February 2021.

The BBC has taken action designed to strengthen its commitment to impartiality by rolling out impartiality training across the organisation, including upholding new staff guidelines and rules on social media and declaring external engagements.

The Serota Review
BBC editorial processes,
governance, and culture

October 2021

Part Five // The BBC's strategic priorities in 2021-22

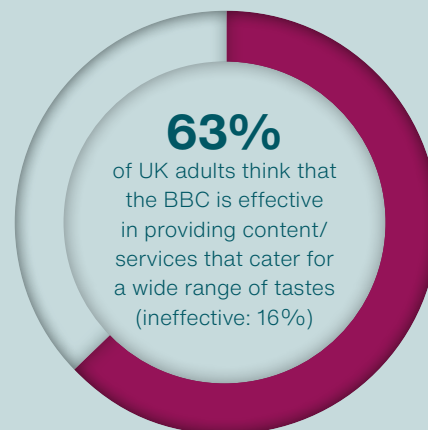
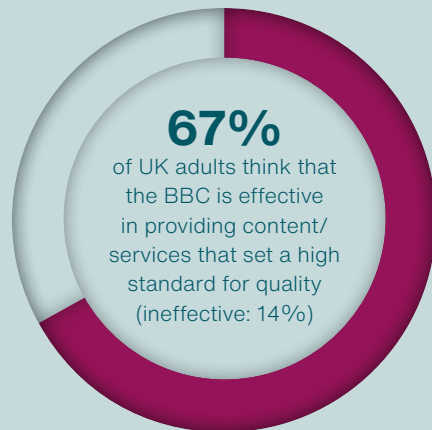
The BBC's strategic priorities in 2021-22: Content

The strategic priorities set for the BBC by the Director-General in September 2020 included a focus on unique, high-impact content that delivers value for all audiences.

The BBC's funding model, under which eligible households are legally required to buy a TV licence, means that the BBC is required to offer value to everyone, wherever and wherever they are.

However, the BBC must balance offering such value by making outstanding content in every genre against ensuring that it does not spread itself too thinly. It considers that it needs to do less than in the past without compromising on quality. It has therefore taken the following steps:

- Reallocating funds to where they generate most value and making its output distinctive.
- Continuing to produce landmark distinctive hits.
- Bringing back BBC Three as a broadcast channel.
- Investing £112 million of its video and audio commissioning budget over three years into diverse and inclusive content.

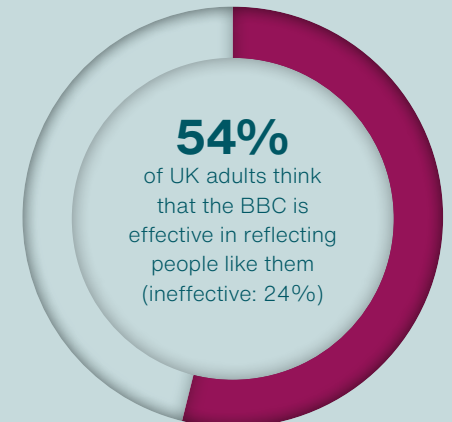
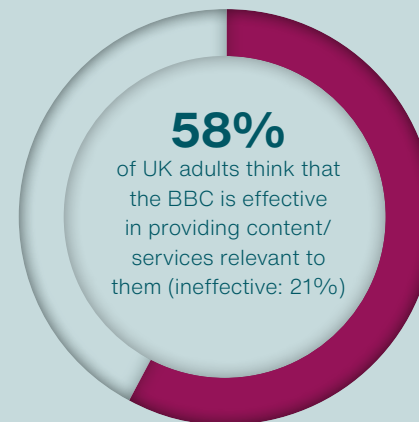


Diversity

In delivering value for all, the BBC needs to represent and authentically portray the UK's diverse communities.

To do this, it is not only spending more of its commissioning budget on diverse, inclusive content – it also aims for its on-screen/on-air talent to reflect audiences. Its Diversity Commissioning Code of Practice sets out five key principles to ensure that all the UK's communities are represented. Under its 50:50 Equality Project, it is taking collective action to increase female representation in its content.

The BBC is also pushing for diversity in its behind-the-scenes talent to ensure the creation and delivery of authentic content in relation to diverse communities.



Part Five // The BBC's strategic priorities in 2021-22

The BBC's strategic priorities in 2021-22: Content continued

Across the UK in 2021-22

To help it provide value to everyone, wherever they are, the BBC provides a range of dedicated, cross-genre output specifically for Scotland, Wales, Northern Ireland and the English regions across television, radio and online.

In addition, so that it can better meet this objective, the BBC is implementing its 'Across the UK' plan. Under this, it is shifting its creative and journalistic activities away from its current London-centric model to one that is more distributed and moves not just people but also power and decision-making to the UK's nations and regions. This will involve moving an estimated 485 posts out of London, with one-off transition costs of about £60 million.

By 2027-28 the BBC aims to cumulatively spend at least an extra £700 million outside London, generating an estimated additional economic benefit to those parts of the UK of around £850 million. Forecasts show the BBC remains on track to deliver their £700m target; however, this could be subject to change due to the BBC's licence fee settlement announced this year. The funding settlement excludes CPI increases in the first two years, the receipt of which was one of the assumptions behind these funding forecasts. The BBC needs to generate savings to manage the impact of the funding settlement, as well as general inflation, meaning that the BBC cannot rule out changes in the future to these forecasts.

The 2021-22 plans for the BBC in 2026-27

Scotland, Wales, Northern Ireland

BBC Studios production
Scotland channel/ALBA
Climate and Science news team
Technology news team
Physical production studios

Leeds

Regional TV News
Local Radio
Learning and Identify news team
Original journalism unit

Salford

BBC Children's
BBC Sport
BBC Studios production
5 Live
Regional TV news
Local Radio
Radio 3
6 music
World Service Business
Radio Current Affairs
Morning Live
Writersroom
Main base for digital teams

Bristol

Regional TV News
Local Radio
BBC Studios production



English Regions

Regional TV News
Up to 45 Local Radio services
100 new digital community reporters
Online personalisation
Tailored BBC One for the North of England
New returning drama
BBC One regions in high definition
Make a Difference

North East

Regional screen partnership
70 tech jobs

Birmingham

Regional TV News
Local Radio
BBC Studios production
TV formats
BBC Asian Network
Newsbeat
Data Journalism
Apprentice training academy
Regional screen partnership

Across the UK – outside London

60% UK TV production
50% UK radio production
Today, PM, Newsnight regularly produced outside of London
Pan-UK commissioning model
New drama and comedy
Increased portrayal and representation
Daytime strands on Radio 1, 1Xtra and 2

London

London Radio/London TV
BBC Studios production
Reduction in estate by consolidating sites

Part Five // The BBC's strategic priorities in 2021-22

The BBC's strategic priorities in 2021-22: Online

The strategic priorities set for the BBC by the Director-General in September 2020 included the extraction of more value from online. The BBC has built on this with its new Digital First Strategy.

One of the key priorities that the BBC will be taking forward in 2022 is its plan to become a 'digital first' BBC.

In May 2022, the Director-General of the BBC set out plans for it to become a digital-first public service media organisation, competitive in a busy, global market, while staying faithful to the values that have underpinned it for a century. With these plans it aims to create a modern, digital-led and streamlined organisation that drives the most value from the licence fee and delivers more for audiences.

The BBC intends to invest in a digital-first approach through changes to content and output, and additional commercial income. This will involve the following:



Shifting money into new programmes for iPlayer



Shifting resources in local output towards digital



Reinvesting broadcast news savings into digital news

Examples of future changes announced in May 2022 include:



An ambition to reach 75% of BBC viewers through iPlayer each week



Requesting that Ofcom remove regulatory restrictions on iPlayer to expand the BBC's ability to offer box sets and archive content



Investment in an enhanced news and current affairs offer for iPlayer and Sounds



Shifting several World Service language services to be digital only

Part Five // The BBC's strategic priorities in 2021-22

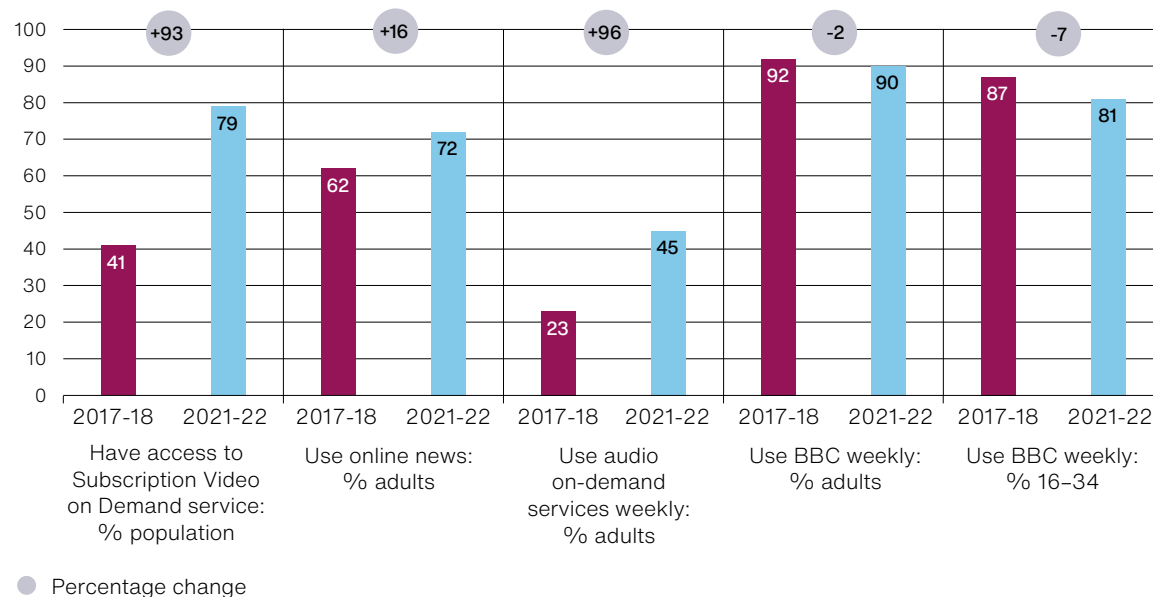
The BBC's strategic priorities in 2021-22: Online continued

The BBC is now operating in a media landscape in which online viewing is of far greater significance and there is increased competition from Subscription Video on Demand services (SVoDs), such as Netflix.

In recent years, although there has been a significant increase in access to SVoDs, and the use of online news and audio on-demand services, the overall reduction in the use of the BBC has been minimal.

Figure 2: Media over the Charter period so far

Percentage of the population (%)



Source: BBC Group Annual Report and Accounts 2021-22



Part Five // The BBC's strategic priorities in 2021-22

The BBC's strategic priorities in 2021-22: Online continued

The BBC's shift towards online from broadcast television and radio is supported by iPlayer and Sounds.

BBC iPlayer

iPlayer's growth and transformation are at the core of the BBC's strategy to give audiences more choice and more control.

Signed-in reach of BBC iPlayer

12.1m

average weekly accounts overall (2020-21: 10.7m). 3.8m average weekly accounts belonging to under-35s (2020-21: 3.2m).

Percentage of BBC viewing that is delivered by iPlayer

16%

of all viewing (2020-21: 13%); 43% of viewing by 16-34s (2020-21: 34%).

BBC iPlayer streaming time

44.5m

average weekly hours played through iPlayer (2020-21: 39.7m).

Weekly users' rating of iPlayer

8/10

by weekly users aged 16+ (2020-21: 8/10); 8/10 by weekly users aged 16-34 (2020-21: 8/10).

BBC Sounds

Introduced in 2018 to bring together all the BBC's audio output into one online location including radio, podcasts and sound. Sounds has continued to see growth, creative ambition and product developments.

Average weekly accounts using BBC Sounds

3.8m

average weekly accounts overall (2020-21: 3.5m); 570,000 average weekly accounts belonging to 16-34s (2020-21: 572,000).

BBC Sounds streaming time

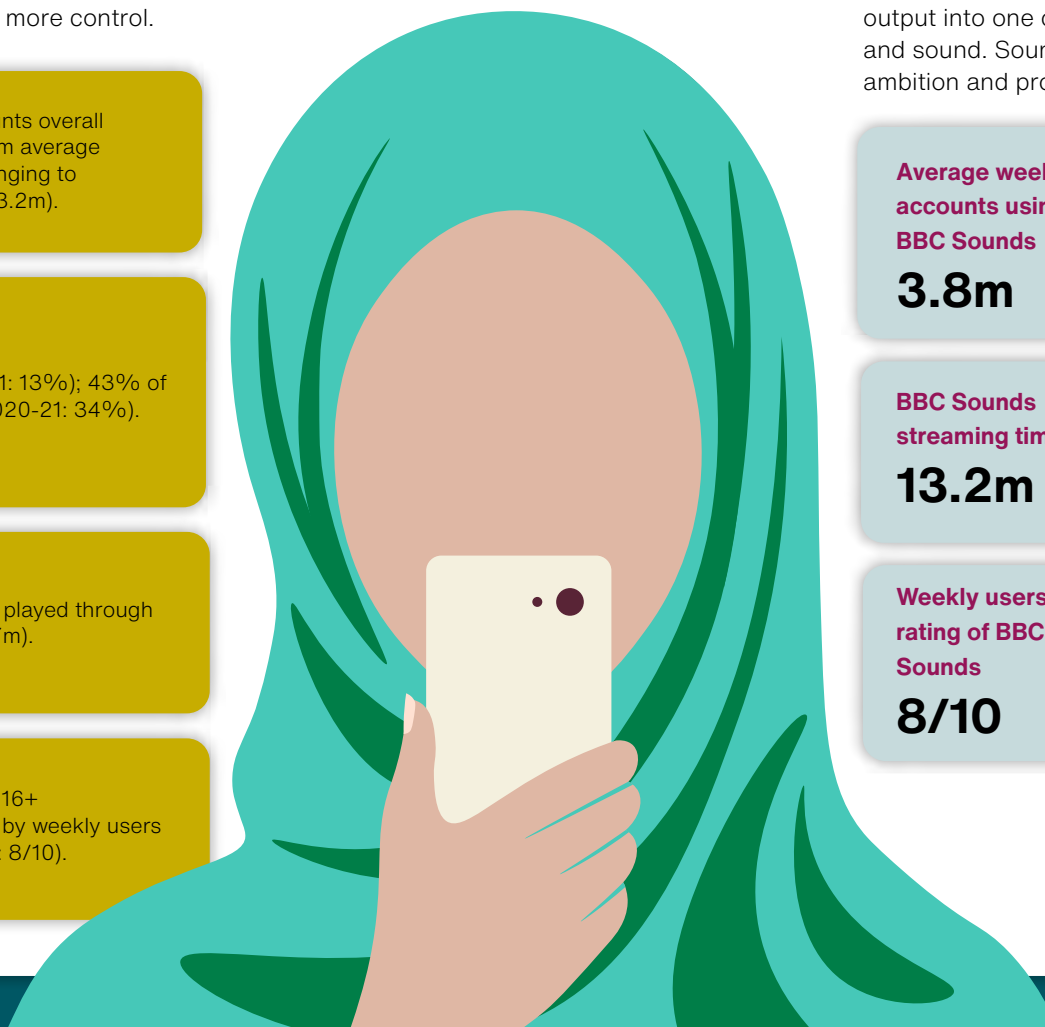
13.2m

average weekly hours played through Sounds (2020-21: 10.9m).

Weekly users' rating of BBC Sounds

8/10

by weekly users aged 16+ (2020-21: 8/10).



The BBC's strategic priorities in 2021-22: Commercial income

The strategic priorities set for the BBC by the Director-General in September 2020 included the building of commercial income to secure additional investment for programme-making and to maximise financial value for licence fee payers.

The financial returns to the BBC from its commercial activities take two forms:

1. The value that BBC Studios delivers as the BBC's main producer and distributor of content, such as upfront contributions by BBC Studios to the financing of BBC programmes, including those that it produces itself, and payments made by BBC Studios to PSB for the right to use intellectual property, including archive material, and the right to use the BBC brand.
2. The value that the BBC receives, as the owner of the commercial activities, via dividend payments.

In 2021-22, the BBC's commercial activities generated financial returns to the BBC of £353 million. As a result, the BBC reported that it had exceeded its target of delivering returns of £1.17 billion over the five years 2017-18 to 2021-22.

In March 2021, the BBC set itself a target of delivering returns from its commercial activities to its PSB arm of £1.52 billion over the five years from 2022-23, a 30% increase on its previous five-year target of £1.17 billion.

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.

BBC Studios is at the heart of the BBC's plans to deliver increased financial returns. In 2021-22, its distribution exports were valued at £800 million. The BBC plans for BBC Studios to increase its returns from making and distributing content for children around the world and by expanding its overseas BritBox service in up to 25 markets. BBC Studios has also taken on responsibility for the management of BBC Global News, in order to place all commercial activities under single leadership.

To oversee delivery of this target, the BBC has put in place a new commercial board, responsible for its commercial arm.

The BBC contends that delivery of returns beyond the target of £1.52 billion is likely to require investment funded from 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 these limits from £350 million to £750 million, subject to the confirmation of oversight arrangements. The increase is to take place in steps between 2022-23 and 2026-27.

The BBC's strategic priorities in 2021-22: Modernisation and efficiency

The BBC aims for the strategic priorities set by the Director-General in September 2020 to be enabled by creating a modern, highly efficient BBC.

Modernising the BBC

In 2021-22, the BBC undertook the following actions in pursuit of its goals to create a modern and more efficient BBC. It:

- reduced public service headcount by 409 roles and made £274 million of savings;
- expanded the 50:50 Equality Project to help achieve its goal of equity in gender, ethnicity and disability representation across the BBC;
- took action designed to drive the ambition to create a 50:20:12 organisation, reflecting more accurately the society the BBC serves, and introduced a new 25% target for socioeconomic diversity;
- set environmental targets to reach net zero by 2030, with specific commitments to reduce different types of emissions;
- rolled out a new look for BBC iPlayer, and announced plans to modernise the digital news offered on the BBC News app; and
- brought the overhead rate to within 5%, which the BBC states places it in the top quartile of comparators, and set out plans to make further organisational efficiencies.



The NAO's value-for-money work in 2021-22: BBC savings

The BBC's financial position in 2021-22

Under the 2022 licence fee settlement, the BBC's income will be frozen for two years and then rise in line with CPI inflation for four years. In January 2022 the BBC estimated that this would leave it with a funding gap of £285 million a year by 2027-28.

Saving measures and progress

NAO Report BBC savings and reform, December 2021

Our 2021 report on BBC savings noted how the BBC had consistently made savings over the past decade. It had exceeded its original target of £800 million in annual savings by 2021-22 and was largely on course to achieve its revised target of £1 billion:

- **Productivity improvements:**

These included workforce restructuring and keeping content prices at the same level.

In September 2021, the BBC estimated that 36% of its annual savings due by 2021-22 would come from productivity improvements, compared with the substantial 70% of savings delivered under the previous 'Delivering Quality First' programme.

In the early years, BBC decided to protect audience-facing services and focus first on non-audience-impacting areas. Together with the significant efficiencies delivered under 'Delivering Quality First', BBC is in the top quartile of indirect costs and has an overhead rate of under 5%. As a result of this, the focus for savings more recently has necessarily shifted.

- **Content savings:**

In September 2021, the BBC estimated that 52% of its annual savings would come from audience-facing parts of the business.

- **Changes to the scheduling mix:**

Eleven percent of the BBC's annual savings in 2021-22 were estimated to come from changes to the scheduling mix as the BBC switched funding from genres or programmes that were more expensive and/or less popular with audiences to higher-performing and/or less expensive output.

- **Income generation from third parties:**

In September 2021, the BBC estimated that 12% of its annual savings due by 2021-22 would come from income generation.

The BBC has sought to enhance its content spending by increasing the contributions it receives from third parties towards the funding of its productions. However, the increased use of such funding poses a risk to the long-term value for money that the BBC can realise from its intellectual property.



NAO VFM work in 2021-22: BBC Savings continued

Saving Measures and Progress: BBC's updated progress since our report

BBC Annual Report and Accounts

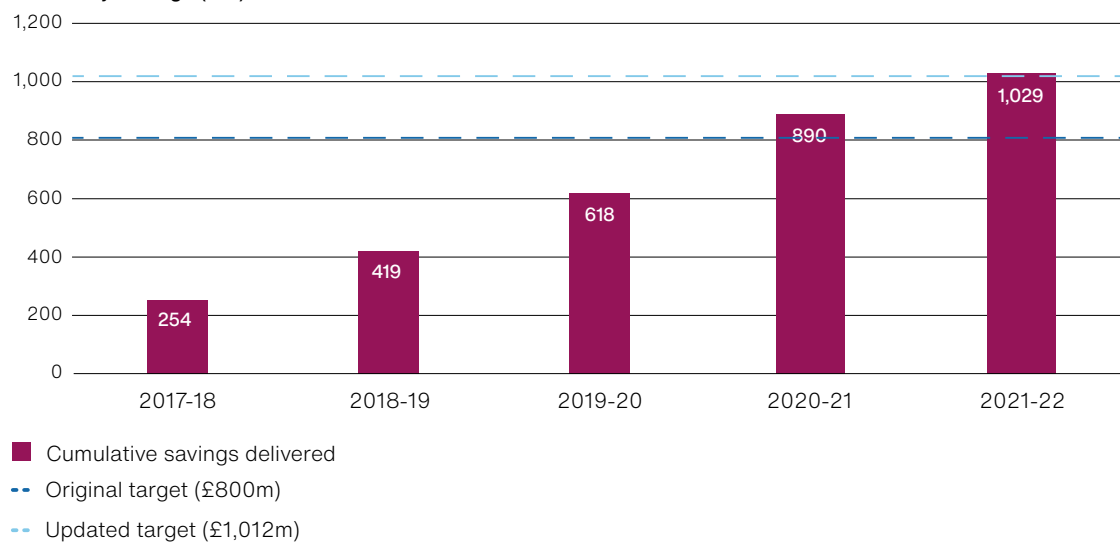
In February 2017, following the 2015 licence fee settlement, the BBC introduced a programme to deliver £800 million savings a year by 2021-22.

In 2020, the BBC increased this target to £1,012 million, reflecting the estimated financial impact of the COVID-19 pandemic and its decision to continue to offer free licences to some over-75s.

In 2021-22, the BBC delivered £274 million of in-year savings. This took the total annual savings delivered since 2016-17 to £1,029 million, thereby meeting its updated target of £1 billion of annual savings by 2021-22.

Figure 3: Saving Measures and Progress

Efficiency savings (£m)



Source: National Audit Office