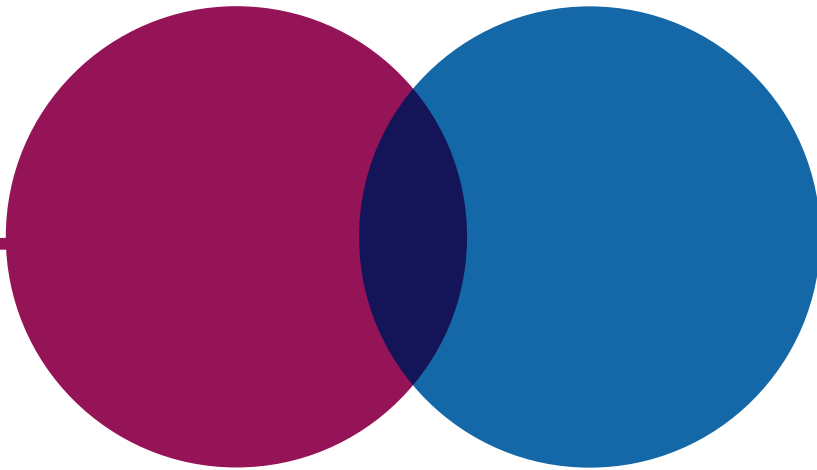




National Audit Office



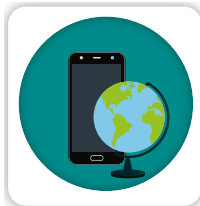
REPORT

A digital BBC

BBC

SESSION 2022-23
14 DECEMBER 2022
HC 958

Key facts



552

the BBC aims for audiences to use its services for at least five hours a week, across at least five days, and on at least two platforms on both traditional broadcast and digital products



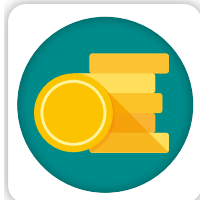
88%

the proportion of time that audiences currently spend engaging with the BBC through traditional television and radio broadcasting



19.6mn

the average number of signed-in accounts using the BBC's digital services per week as of June 2022



£50 mn

planned additional investment each year in digital product development by 2025



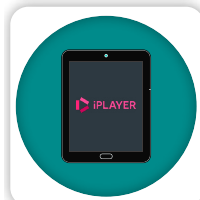
£98 mn

spent by the BBC on its digital product development in 2021-22, compared with £109 million in 2018-19 (in 2021-22 prices)



2.8%

the proportion of its revenue that the BBC estimates it spends on its product development compared with 8% to 11% of revenue spent by competitors



16%

the proportion of all BBC TV viewing that was watched on iPlayer in 2021-22 compared with 43% among 16- to 34-year-olds

Summary

1 The BBC is the main public service broadcaster in the UK. Its mission, public purposes, commitments and governance arrangements are set out in its Royal Charter. According to this, the BBC's mission is to inform, educate and entertain, and it provides a wide range of television, radio and digital services. Under its Charter, the BBC has five public purposes including providing impartial news 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 (DCMS), and regulated by Ofcom, the communications regulator. The BBC's Charter Agreement with DCMS provides further detail on many of the topics outlined in the Charter, including the BBC's funding and its regulatory duties. The BBC is primarily funded by the television licence fee, which gave it £3.8 billion of its £5.3 billion income in 2021-22.

2 Although 88% of the time audiences currently spend with the BBC is through traditional television and radio broadcasting, it has for a number of years sought to complement these with digital services. It launched its homepage in 1997, iPlayer in 2007, and now offers an array of apps and websites. The BBC now competes not only with television and radio broadcasters, but also with online providers, often based overseas and funded by private capital, including Netflix, Amazon Prime and Disney+, and audio services including Spotify.

3 The BBC sees its digital services as essential to its long-term future. In September 2020, the BBC's director general launched its *Value for All* strategy, a priority of which is extracting "more value from online". This means using technology and data to offer audiences a greater range of services through a portfolio of digital products including BBC News Online, Sport, iPlayer and Sounds. In October 2020, the BBC commenced a strategic technology review to determine its technology requirements for the following five years and beyond. Following this, in May 2022 it announced that it would be taking a new 'digital-first' approach. This will mean refocusing resources towards content that appeals to audiences who choose to view it both live online, and on any device at any time. In December 2022, the BBC's director general followed up on the May announcement by setting out its plans to move to an internet future with greater urgency. This will, according to the director general, require the BBC to transform faster to have a clear, market-leading role in the digital age.

Scope and purpose of this report

4 This study assesses whether the BBC has the capability to deliver value to its users from its strategic technology review. It examines whether the BBC strategy is evidence-based and supported by a practical, achievable delivery plan, and whether the BBC can demonstrate that it has sufficient and appropriate resources to deliver that plan. The report also examines the BBC's progress in implementing its digital plans to date and considers the challenges it faces. This report has the following three parts:

- Part One: the BBC's digital leadership and strategy.
- Part Two: the BBC's digital resources.
- Part Three: the BBC's progress and challenges in implementing its digital plans.

This report does not explore issues around content at great length. We have not audited the BBC's new digital-first strategy launched in May 2022 but have used it to provide context and explain its broad ambitions.

Key findings

The BBC's digital strategy and leadership

5 The BBC has clearly set out its vision for using digital technology and data to improve the services it offers. The BBC has set out how it plans to use technology and insights from data to improve access to its services and offer users a more personalised experience. The BBC considers itself to be a "valued daily habit" with audiences and set an additional goal for this, adding to its existing audience measures, in 2019. It now measures how many adults access its services at least five days a week, for at least five hours across the week, on at least two different modes of communication, such as radio, television or online. The BBC believes that its digital services will increasingly contribute towards this and has given preference to its 'priority services' (iPlayer, Sounds, News and Sport) (paragraphs 1.2 to 1.4, 3.8 and Figure 1).

6 The BBC has set out a plan for implementing its strategic technology review.

One of the aims of the BBC's strategic technology review was for its technology teams to be able to deliver more effectively against goals set by its executive committee. The strategic technology review is entering the second year of implementation. The BBC's digital operations now have a new operating model, with its digital responsibilities split into three discrete functions:

- The technology group, responsible for the operation, security and innovation of the BBC's technology, through governing bodies such as the enterprise technology direction group and the technology investment committee.
- The product group, responsible for developing and delivering the BBC's audience-facing digital products, such as the News Online app, following a strategy set in partnership with the newly-established digital leadership group.
- Distribution and business development, responsible for managing the BBC's broadcast and online distribution and its relationships with distribution technology partners and suppliers.

This is the first time that the BBC has had a separate product group, which has been organised in line with industry standard practice. In his December 2022 statement, the BBC's director general set out the need for it to pursue further organisational change in pursuit of becoming a more digital organisation (paragraphs 1.5 to 1.8, 1.12 and Figure 2).

7 The BBC's digital leadership needs to evolve in line with its digital ambitions.

Strong digital leadership is important to enable the BBC to make rapid progress in a challenging environment. In 2021, the BBC set up a new digital leadership group to help accelerate its digital growth. This group was established as a sub-group of the BBC's executive committee to ensure that digital was prioritised at the most senior levels of the BBC through regular reporting on the BBC's digital products and initiatives. The BBC is improving the information given to the executive committee on its digital activity and recognises that it needs to formalise digital governance further. We have, for example, only seen limited evidence that the BBC's executive committee is providing sufficient challenge to its digital leaders. In January 2022, following departures from the BBC board, the BBC recruited a new non-executive director with a background in technology to help, among other responsibilities, support and challenge its digital ambitions (paragraphs 1.9 to 1.13 and Figure 3).

8 The BBC considers that having users sign into a BBC account is key to offering them a more personalised experience, and has made progress with this, but it does not yet have a plan for what personalisation will mean in practice. Over the past nine years, the BBC has signalled that it sees personalisation as important to its future plans and key to this is sign-in, whereby users register for and use a BBC account to access digital services. In September 2021, it produced a sign-in strategy, with a target for 72% of digital product views to come from signed-in users by 2023. However, while the BBC has started to develop plans for how it could personalise some of its individual digital products and services, we have yet to see evidence that it has begun work on pulling together a comprehensive strategy for personalisation across the organisation (paragraphs 1.13 and 1.14).

9 The BBC has not fully explored scenarios for any future shift to digital-only broadcasting. The BBC is pursuing its digital ambitions while also maintaining its traditional broadcasting commitments, and uptake of digital services has been gradual to date. In 2021-22, for example, iPlayer accounted for 16% of all BBC TV viewing, whereas 73% of UK adults (in households with a TV) still watched BBC via traditional television broadcasting. At an operational level, the BBC has previously set out a commitment to stop broadcasting some channels and make them internet-only services, which it describes as making “difficult choices”. In December 2022, the BBC’s director general set out where the organisation should aim to be by the 2030s, and announced that the BBC would move to an internet future with greater urgency. The BBC recognises that it will need to work with government and other stakeholders to determine its future obligations and the extent of UK broadband coverage necessary to support its digital services and ensure nobody is left behind. The BBC has not yet fully examined the strategic scenarios for enabling this transition to digital-only (paragraphs 1.16 to 1.19 and Figure 5).

The BBC’s digital resources

10 The BBC’s digital development funding is much smaller than many digital-only media organisations. The BBC’s overall spending on its digital product development has recently fallen, from £109 million in 2018-19 to £98 million in 2021-22 (in 2021-22 prices). The BBC is able to invest far less in its digital products than other media organisations, many of which are digital-only and are not constrained by the BBC’s universal service commitments. In 2021, for example, Netflix spent £1.7 billion on technology and development. In consequence, the BBC has not been able to develop its product portfolio with the same pace and sophistication as that of rival media organisations. It has not, for example, been able to invest substantially in improving its audience metadata (data which provides information about other data, such as whether a sports programme is about football or cricket, which is useful for directing audiences to related content of potential interest to them) (paragraphs 1.18 and 2.2 to 2.5, and Figures 7 and 8).

11 The BBC is finalising its investment plans for taking forward its strategic technology over the next five years. In January 2021, the National Audit Office (NAO) recommended the BBC produce a long-term financial plan setting out funding for its new strategic priorities. In May 2022, the BBC announced a £500 million plan, in support of its 'digital-first' plans. Included in this was its expectation that by 2025 it will invest approximately £50 million extra annually in digital product development. The BBC has an internal plan in place to support this investment, but this currently lacks the detail necessary for taking it forward and it now needs to develop this. The BBC reports that this is being finalised as part of the budget process for its digital-first strategy (paragraphs 2.4, 2.6 and 2.7).

12 The BBC has taken steps to drive greater value for money from its technology spending, but now requires a better picture of this. To enable it to direct more resources towards audience-facing digital products the BBC has begun identifying where investment is likely to lead to greatest impact. The BBC's product group is developing a value-for-money measure for spending across all digital products, for example, but as of October 2022 had not completed this. Additionally, the BBC is required to maintain a broadcast presence for national resilience purposes and has put in place robust technology infrastructure arrangements for this. However, there is no evidence that these resilience arrangements have been regularly challenged to identify whether there is any scope to achieve savings (paragraphs 2.8 to 2.10).

13 The BBC faces difficulties in recruiting and retaining specialist digital staff. The BBC has successfully managed to retain and recruit highly skilled individuals in key digital positions. In common with many employers, however, it is experiencing technology staffing shortages and high turnover of staff. In its product group, the BBC had a 23% staff turnover rate as of June 2022. The high number of vacancies is slowing technical development. Owing to the number of vacancies in the search team, for example, the BBC has been unable to develop its search function further. This is in part due to the BBC's pay levels being lower than some other potential employers for technology professionals, although it does regularly review these pay levels, including through industry benchmarking (paragraph 2.11 and 2.12).

The BBC's progress and challenges in implementing its digital plans

14 The BBC's digital products are performing well against better-funded media organisations. The BBC sees itself as distinct in offering its users publicly funded, British content, but lacks the funds to offer the same amount of content as other media organisations, many of which are digital-only. Also, as we set out above, its more limited investment ability has restricted the technological sophistication of its products. The BBC has identified where it needs to make improvements, including in its search functions and content recommendations. Nevertheless, despite having less content and less sophisticated technology than other media organisations, the BBC's digital services are performing well. In 2021-22 most of the BBC's digital products achieved their targets. The BBC now plans for its digital services to be within at least the top three for market share in the UK in five years' time (paragraphs 3.4 to 3.7 and Figures 9 to 13).

15 The BBC has not always been able to capitalise on technological innovation. BBC iPlayer launched in 2007, the same year that Netflix launched its own, more limited, streaming service. The BBC did not, however, capitalise on the advantage it had at this point: for example, iPlayer use for 16- to 34-year-olds is now at around 25%. Although younger audiences also choose to access the BBC through traditional broadcast services, and 81% of this age group on average per week used the BBC's services in 2021-22, its iPlayer use in this age group is well behind Netflix's at 55%. Ofcom requires the BBC to assess the impact that any changes in its offering of content have on fair and effective competition. The BBC regards the relatively slow growth of its iPlayer audiences as partly attributable to the time that was necessary in 2019 to make this assessment when it was seeking to offer access to content on iPlayer for longer. It took more than a year to gain Ofcom's sign-off and for the BBC to increase the period for which programmes are available on iPlayer from 30 days to 12 months. The BBC's lack of pace has also been driven by it historically investing less on technological innovation than it regards as necessary (paragraphs 3.2 and 3.3).

16 The BBC needs to continue attracting audiences in an increasingly fast-paced and dynamic global media environment. With its new digital-first vision, the BBC has set out its aspiration of being distinctive by building a digital public service media organisation of scale. The BBC sees this as essential to its global role and has a target of reaching 500 million people weekly across the world by 2022. It is nearing this target and reached 492 million people each week globally in 2021-22. However, it operates in a highly challenging environment in which new technology emerges swiftly. A continuous challenge for the BBC's iPlayer developers is keeping up with new devices from which iPlayer can be launched. The BBC estimates that iPlayer was available on more than 20,000 types of devices in 2021-22, up from more than 15,000 in 2018-19. Similarly, new competitors can also emerge rapidly. Disney+ was launched in the UK in 2020 and is already used by 23% of 16- to 34-year-olds, whereas iPlayer is used by 25% of this age group (paragraphs 1.2, 3.14 and 3.15, 3.17 and Figures 14 and 15).

17 The BBC's increased use of personal data exposes it to potential reputational risks. To build a more personalised experience for its users, the BBC will need to increase its use of their personal data. The BBC plans to use these data to support commissioning decisions and to make tailored content recommendations, and needs to meet best practice and transparency in data-handling. There is potential for reputational damage if the BBC does not meet best practice in acquiring, storing and securing personal data, and being transparent about its use. In 2019, a BBC-commissioned report found it was only in the early stages of maturity in compliance with data protection legislation in its use of audience data. The BBC has improved its approach to users' data and data protection, including appointing a data protection officer and creating a central Data Protection Office team in 2019. However, in reviewing BBC planning documents on using customer data we found no references to its approach to the management and mitigation of reputational and other potential risks that could arise as it increases its use of such data (paragraphs 3.11 to 3.13).

Conclusion on value for money

18 Overall, the BBC's key digital products, and most notably iPlayer, have to date performed well. These levels of performance are impressive given available funding is considerably lower than other media organisations with which it competes for audiences, many of which are digital-only. The BBC now aims for its products to be within at least the top three in their fields within the UK and has signalled its intention to move to an internet future with greater urgency. To maintain its successes to date, and to achieve its targets for market share, the BBC will now need to fully develop its digital-first plans and realistically consider whether it has the resources it needs for this next challenge.

19 In planning for this next challenge, the BBC already has some solid foundations to build on. It has set out a clear vision for how it intends to use digital technology to improve the services it offers to its users. It has also, through its strategic technology review, established an operating model that includes a product group that is organised in line with industry best practice. Nevertheless, there are areas which the BBC must address if it is to keep up in a dynamic global media market. In particular, its digital leadership structures need to evolve. This should in turn help bring greater pace to tackling challenges such as the development of a personalisation strategy, including managing potential data risks.

20 The BBC should:

- **develop its leadership structures to ensure effective senior challenge of its digital projects.** The BBC's governance structures will need to evolve to ensure there is sufficient challenge to the corporation in terms of digital costs and opportunities and on the longer-term implications of decision-making. The BBC should regularly undertake a skills-based assessment of whether it has the right digital expertise in place at a senior level;
- **building on its December 2022 announcement, plan scenarios for how it could move between broadcast and internet services in the future.** The BBC should identify, working with relevant stakeholders, including those at risk of being left behind, scenarios for its proposed role of digital-only linear channels in the future. This should include how it may need to divest itself of more traditional broadcast technologies, setting out a trajectory for how it may need to move increasingly to internet services;
- **set out how it plans to develop its personalisation strategy, including managing potential data risks.** As it moves towards greater use of personal data and sign-in, the BBC now needs to fully develop a comprehensive personalisation strategy. This should include how it will manage potential compliance risks around the capture, storage and use of personal data, as well as how it will maintain transparency around this with its users; and
- **improve the detail that supports its digital-first investment plans.** The BBC should finalise work to underpin its May 2022 digital-first strategy. This should include developing a realistic, more detailed digital investment plan. In the light of its 2022 licence fee settlement, this needs to set out how savings will be achieved, whether further borrowing is required, and whether planned investment is sufficient to meet the estimated costs of its digital ambitions. The plan also needs to take into account forecasts of inflation, particularly where these are specific to the industry.