



National Audit Office

OVERVIEW

BBC

Departmental Overview 2022-23

We are the UK's independent public spending watchdog

October 2023

What this guide is about

This guide has been produced to support the Culture, Media and Sport Select Committee in its examination of the British Broadcasting Corporation's (the BBC) spending and performance. It summarises the key information and insights that can be gained from our examinations of the BBC and related bodies in the sector and the BBC's Annual Report and Accounts. In 2022-23, the BBC's operating costs were £6 billion. This included the cost of producing content and running its digital, radio, news and education services.

The guide includes:

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

How we have prepared this guide

The information in this guide draws on the 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.

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 information about our other recent and upcoming reports can be found on the National Audit Office website.



This report updates our previous overview, Departmental Overview 2021-22: The BBC Group, published in November 2022.

More information about central government accounting and reporting

You may also be interested in our interactive guide to *Good practice in annual reporting* (February 2023) which sets out good-practice principles for annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

Departmental Overview 2022-23

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About the National Audit Office

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2022, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £572 million.

If you would like to know more about the NAO's work on the BBC, or are interested in the NAO's work and support for Parliament more widely, please contact:

Parliament@nao.org.uk
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Part One • Overview

About the BBC

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 Charter came into effect on 1 January 2017 and will run until 31 December 2027.

The BBC is a public corporation, independent of government but sponsored by the Department for Culture, Media & Sport (DCMS) and regulated by Ofcom, the communications regulator.

The BBC is a public service broadcaster (PSB). 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 is the largest PSB to be principally funded through the licence fee.

The BBC's PSB services are the largest part of the BBC Group.

The BBC's Charter also permits the BBC Group 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 profit.

The main commercial entity is BBC Studios.

The BBC's Mission

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:** this includes the delivery of BBC News, which is used by 8 out of 10 UK adults on average per week – double the next nearest provider.
- **Educate:** the BBC provides services such as Bitesize, which in 2022-23 was used by 77% of secondary school pupils and 65% of primary school pupils.
- **Entertain:** in 2022-23, people in the UK spent six hours on average watching BBC TV/iPlayer per person per week – more than Netflix, Disney+ and Amazon Prime Video combined.

The Royal Charter

- 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

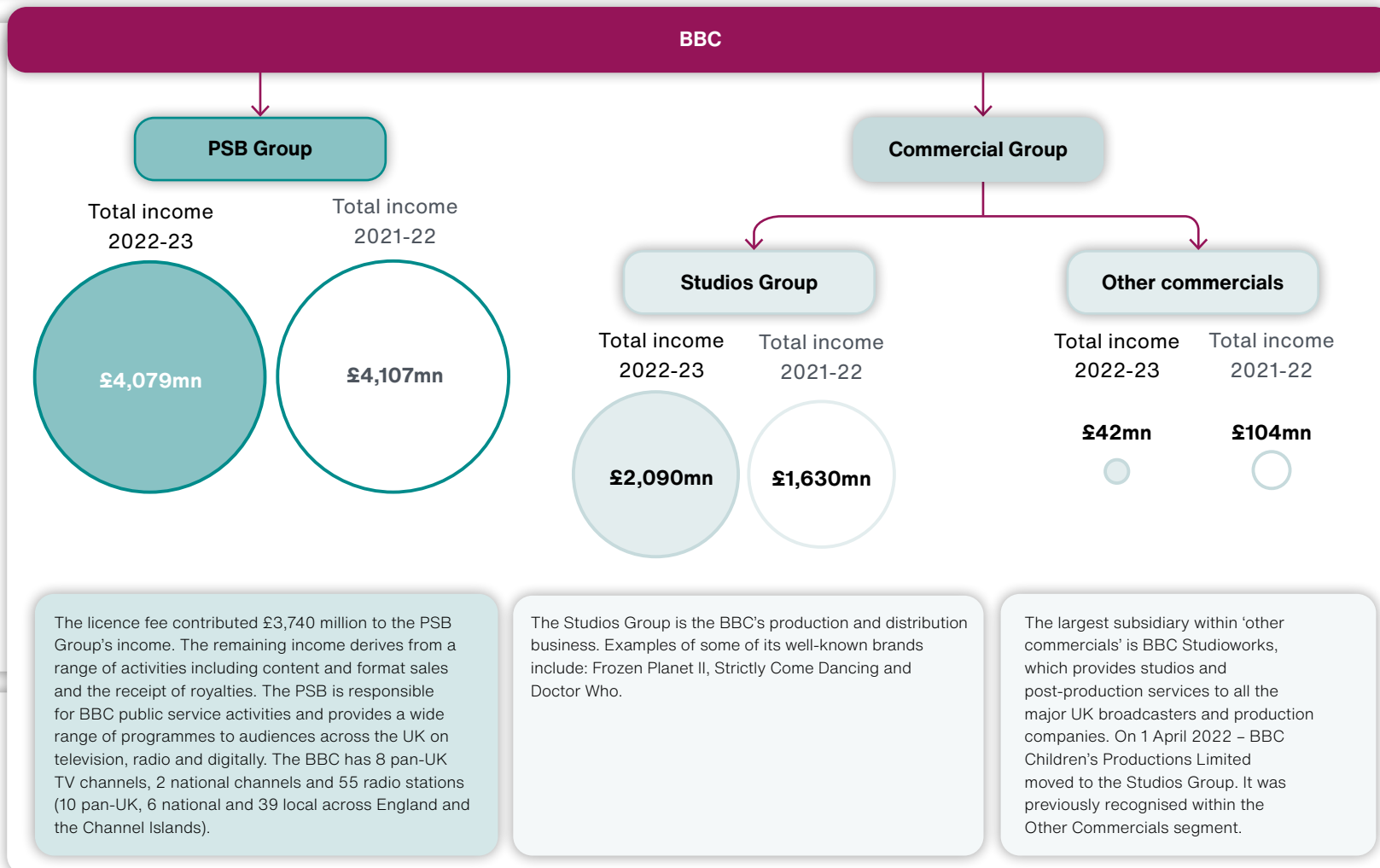
The BBC Group structure separates its Public Service Broadcasting (PSB) activities from its commercial operations, as per its Charter. The PSB arm of the BBC receives licence fee income for the purpose of making content available for licence fee payers.

The commercial arm of the BBC Group is self-funded and operates independently from the PSB arm. The BBC's commercial businesses must deal with the PSB on an arm's-length basis – for example, paying fair market value for PSB-owned content.

In 2022-23, the BBC Group total income was £5.7 billion and its operating expenditure was £6 billion (see page 9).¹

Note

1 The sum of individual income and expenditure figures reported above do not equal total income and expenditure at a PSB Group and Commercial Group level or the overall group total. This is due to intragroup eliminations required to prepare the BBC Group financial statements.



The BBC Board

The Board is responsible for ensuring that the BBC fulfils its mission and public purposes. During 2022-23 the Board was chaired by Richard Sharp, who resigned from his role in April 2023, departing in June. Dame Elan Closs Stephens was appointed acting chair by DCMS from 27 June 2023 for 12 months or until a new permanent chair had been appointed, whichever was sooner. The Board delegates some of its responsibilities and is required to have a number of subcommittees, including the Remuneration, Nominations and Audit and Risk Committees.

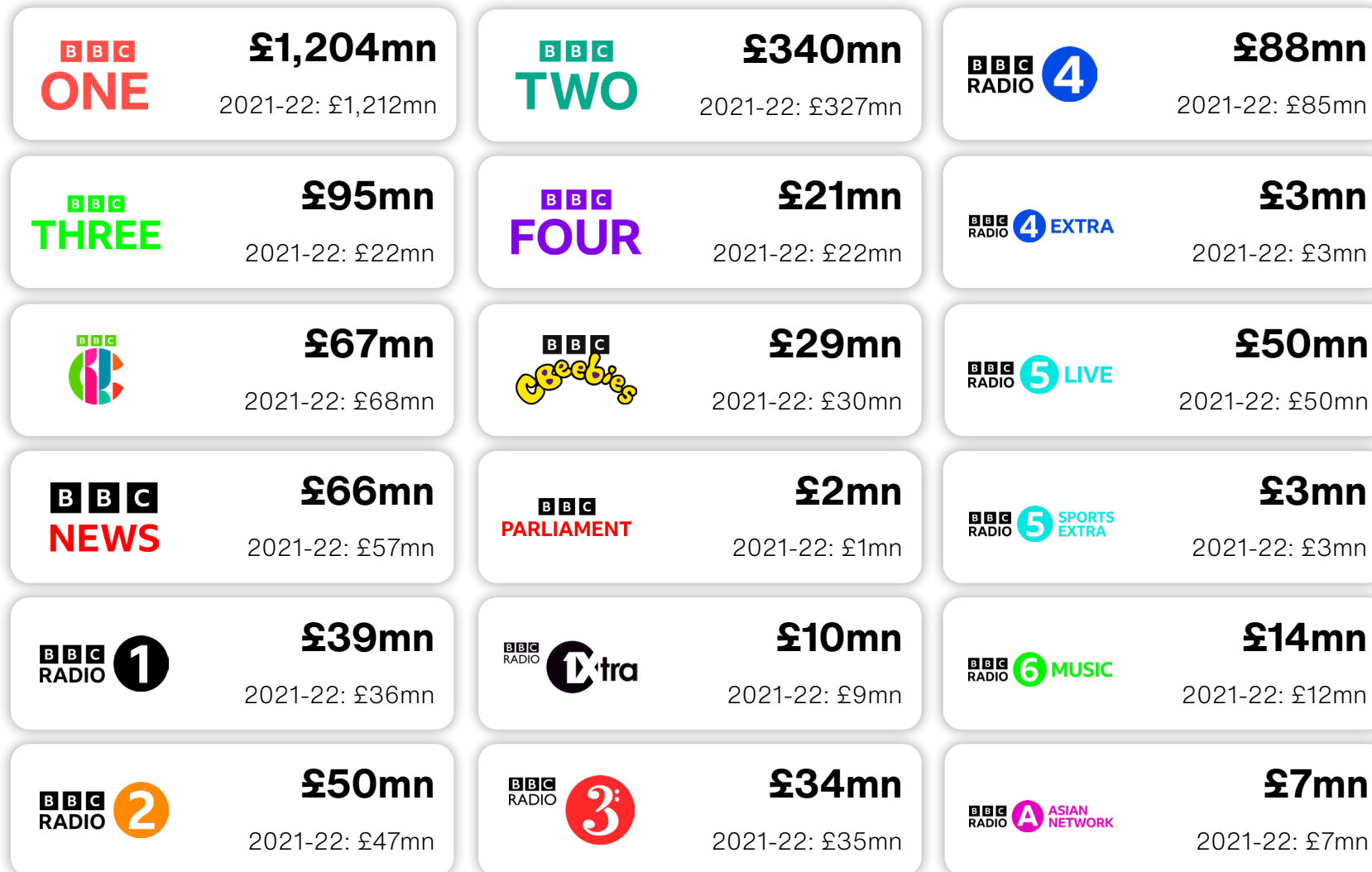
The work of these committees is complemented by the Fair Trading Committee, the Editorial Guidelines and Standards Committee, and committees for each of the four nations of the UK. The Commercial Board oversees the BBC's commercial subsidiaries on behalf of the Board.

Part Two • Spending and financial management

Where the BBC spends its money

The BBC Public Service Broadcasting (PSB) Group spent £3,078 million directly on content in 2022-23

This included:



Part Two • Spending and financial management

Where the BBC spends its money *continued*



The BBC Public Service Broadcaster (PSB) Group spent

£4,442 million

on public service broadcasting in 2022-23

PSB Group

Content is the PSB's largest expense and it is made up of television services, radio, BBC Online and Red Button.² The BBC spent £3,078 million directly on content in 2022-23, an increase of £122 million on the previous year. This increase was in part due to the cost to the BBC of covering ceremonial events for HM Queen Elizabeth's Platinum Jubilee and State Funeral and major sporting events such as the FIFA World Cup and the Women's European Football Championships.

The BBC's spending on television content totaled £1,869 million in 2022-23, which is 61% of total content expenditure.

The BBC also spent £498 million on radio and £352 million on the World Service (16% and 11% of content spend respectively) and £234 million on BBC Online and Red Button in 2022-23. £103 million of World Service expenditure was funded by the Foreign, Commonwealth & Development Office (FCDO). In April 2022, the FCDO confirmed a further investment in the World Service of £283 million which will be spread over a three-year period until March 2025.

Licence fee collection costs of £137 million accounted for 3.7% of total licence fee income in 2022-23, up from 3.2% in the prior year due to increases in external costs.

There was a significant increase in restructuring costs from £13 million to £61 million in 2022-23. This relates largely to reorganisation and redundancy programmes across various divisions within the PSB.



The BBC Commercial Group spent

£2,076 million

on commercial activities in 2022-23

Commercial Group

Cost of sales, which includes the cost of producing content is the largest expense for the commercial Group. The BBC Commercial Group spent £1,624 million on cost of sales in 2022-23, a £344 million increase from 2021-22.

As a commercial entity, the BBC Commercial Group publishes less detailed information on its expenditure than the PSB Group, breaking down operating expenditure into three categories; cost of sales, distribution costs and administration expenses.

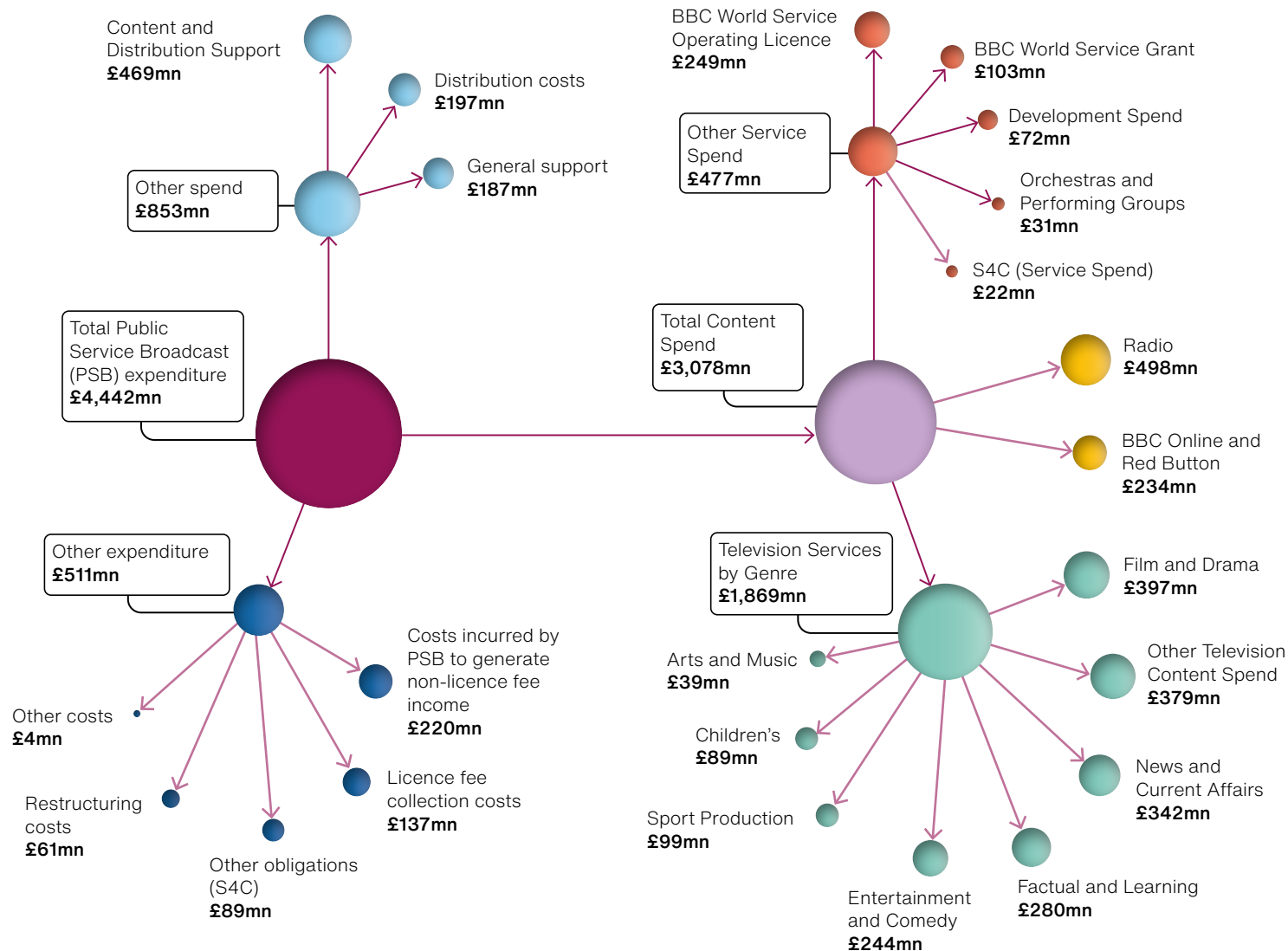
Notes

- 1 Total BBC Group expenditure reported in the Annual Report and Accounts was £5,957 million in 2022-23. This is £561 million lower than the combined total expenditure on public broadcasting and commercial activities reported above due to intra-group eliminations required to prepare the BBC Group financial statements.
- 2 The BBC Red Button service allows access to additional television programming, live coverage from major sporting and cultural events, sports scores, lottery and weather information as well as the latest breaking national and global news stories.

Part Two - Spending and financial management

Where the BBC spends its money *continued*

BBC PSB Group expenditure in 2022-23



Note
1 This breakdown does not include expenditure by the BBC Commercial Group which totalled £2,076 million before intra-group eliminations in 2022-23.

Part Two • Spending and financial management

BBC Group Financial Performance



£220mn operating deficit in 2022-23

The BBC moved from a £124mn net surplus in 2021-22 to a net deficit in 2022-23

Income
£5,725mn



£395mn increase from
£5,330mn in 2021-22

Operating costs
£5,957mn



£726mn increase from
£5,231mn in 2021-22

Reasons for movement from surplus to deficit

Although total income increased by £395 million to £5,725 million, operating costs rose significantly more by £726 million to £5,957 million. This means that in 2022-23 there was an operating deficit of £220 million.

The BBC Group commonly fluctuates between operating deficits and surpluses. Operating deficits often occur in years with major televised events such as the Summer Olympics and the FIFA World Cup.

Energy and staff costs across the Group have increased as a result of inflation. The amount spent on content for the PSB Group has also increased by 4% to £3,078 million. The BBC reported that this was due to competition in the media industry leading to increased costs as well as the costs of coverage of major sporting events and the State Funeral of Her Majesty Queen Elizabeth II.

Commercial and grant income increased by £455 million to £1,985 million in 2022-23. This increase was partially offset by a £60 million fall in licence fee income due to a decrease in paid-for licences (see page 10).

Year	Operating (deficit) /surplus	Major events in the financial year that may have affected total expenditure
	£mn	
2022-23	(220)	Platinum Jubilee, the State Funeral of Her Majesty Queen Elizabeth II, FIFA World Cup in Qatar, European Women's Football Championships.
2021-22	124	2020 Tokyo Summer Olympics, European Football Championships and news coverage for war in Ukraine.
2020-21	290	The postponement of the Tokyo Olympics, Paralympics and Men's European Football Final and the delays in programme production due to COVID-19 reduced the BBC's planned spend on TV content.
2019-20	(122)	2019 FIFA Women's World Cup in France, Netball World Cup, Cricket World Cup.
2018-19	(52)	Commonwealth Games in Australia and the FIFA World Cup in Russia.
2017-18	234	The Winter Olympics in South Korea, World Athletics Championships.
2016-17	(39)	2016 Rio Summer Olympics, the European Football Championships, and coverage of the EU referendum.

Part Two • Spending and financial management

BBC Licence Fee Income

Everyone in the UK who watches or records programmes as they are being shown on TV; views live streams via an online TV service; or downloads or watches BBC programmes on iPlayer, whether live, via catch up or on demand (licensable content) must be covered by a valid TV licence.

Licence fee income £3,741mn¹



Licence fee income fell £59 million from £3,800 million in 2021-22. This is the first decrease in licence fee income since 2019-20.

Note

¹ There is a £1 million difference between the licence fee income reported in the BBC Group accounts and the Trust Statement due to differing accounts' preparation bases.

Licence fee income declined in 2022-23

There has been a fall in purchased licences to 23.5 million in 2022-23 from 23.92 million in 2021-22.

In 2022-23, more households declared that they do not require a licence because they were not watching licensable content. By the end of 2022-23, 2.84 million customers had informed TV Licensing (TVL) that they no longer needed a licence, compared to 2.48 million in 2021-22.

There has also been an increase in the estimated licence fee evasion rate (the percentage of households not buying a licence although legally required to do so) to 10.31% in 2023 from 9.38% in 2022.

The BBC's licence fee collection strategy identifies that changing viewing habits, slowing of household growth and cost-of-living challenges increase the risk of evasion. The BBC is seeking to tackle increased evasion by providing more support to those facing financial hardship, including referrals to debt charities, and increasing awareness of Pension Credit eligibility for those aged over 75.

The future of the licence fee – key challenges/developments

The BBC expects licence fee income to further decline due to changes in how audiences consume media. BBC research identified that 79% of BBC content on iPlayer is watched on demand rather than live and 30% of iPlayer streams use devices other than a TV set. When people move away from watching traditional and live TV, they may not realise that they still need a licence. To reduce evasion and the change in viewing habits away from licensable content, the BBC plans to demonstrate the benefits and value provided through the licence fee, and it has clarified what constitutes licensable content on the TVL website.

In January 2022, the government froze the licence fee at £159 per year for 2022-23 and 2023-24. The cost of a licence fee will then rise in line with inflation for four years, 2024-25 to 2027-28. The BBC has estimated that the two-year freeze will lead to a loss of income of £400 million over the remainder of the charter period.

The government confirmed in its April 2022 white paper its intention to carry out a review of the licence funding model beyond December 2027.

Part Two • Spending and financial management

BBC Commercial Group Financial Performance

Commercial income seeks to generate maximum financial returns for licence fee payers. The BBC reported in its Annual Report and Accounts that it will seek to secure the investments and partners to make the best possible programmes in a highly competitive market. The BBC's Commercial Group has a number of different income streams including sale of content to global broadcasters, subscription income and income from the sale of physical and digital products.



EBITDA¹
£240mn

£14mn increase from £226mn in 2021-22

Revenue
£2,115mn



£397mn increase from
£1,718mn in 2021-22
(23.1%)

Operating costs
£2,048mn



£407mn increase from
£1,641mn in 2021-22
(24.8%)

Key findings



Commercial income increased (23.1%) from £1,718 million in 2021-22 to £2,115 million in 2022-23 largely due to growth in BBC Studios sales.



Operating costs increased (24.8%) from £1,641 million to £2,048 million. This was mainly due to an increase in cost of sales, which rose £342 million to £1,608 million – this included the cost of producing content. The BBC reported that the increased costs were due to spending to increase commercial growth and investment in content for audiences.



Each year, the Commercial Directors determine the value of the dividend to be paid to the PSB Group. In 2022-23, BBC Commercial Limited declared a dividend of £198 million to the PSB Group – an increase of £54 million from the previous year.



One of the BBC's priorities is to boost commercial income. This is central to its strategy for the years ahead as it seeks to secure investment and partners to make the best possible programmes in a highly competitive market (see page 24).

Note

¹ EBITDA = earnings before interest, taxes, depreciation and amortisation.

The BBC has two wholly owned commercial subsidiaries:



The Studios Group is the BBC's production and distribution business. It creates, invests in, develops, produces, commercialises and distributes content both for the BBC schedule – as well as across multiple platforms – and for sale and global distribution. The Studios Group also owns UKTV, which generates advertising revenue.



This is a commercial subsidiary of the BBC providing studios and post-production services to all the major TV broadcasters and production companies. BBC Studioworks achieved revenues of £41 million and EBITDA (earnings before interest, taxes, depreciation and amortisation) of £5 million, and it has declared its highest ever dividend to BBC Commercial Limited of £6 million – double the prior year's dividend.

Part Two • Spending and financial management

BBC Studios Group



BBC Studios Group generated income of
£2,090mn in 2022-23

£460mn increase from £1,630mn in 2021-22.
This is the majority of total BBC commercial income (£2,115mn – see page 11).

Operating costs
£1,744mn



An increase from
£1,346mn in
2021-22 (30%)

EBITDA¹
£240mn



An increase from
£226mn in
2021-22 (6%)

BBC Studios Group 2022-23 overview

Sales for the year increased by £460 million (28%) to £2,090 million in 2022-23. This increase was driven by growth in the Content Studio.

There was a 30% increase in operating costs from £1,346 million in 2021-22 to £1,744 million in 2022-23 partly due to inflationary pressures.

Although EBITDA has increased, the EBITDA margin has fallen from 13.9% in 2021-22 to 11.5% in 2022-23 due to operating costs increasing more than sales.

Note

¹ EBITDA = earnings before interest, taxes, depreciation and amortisation.

There are four divisions of BBC Studios: Production, Global Distribution, Brands and Licensing, and UKTV and UK Distribution.

Studios Production

The principal activity of Studios Production is to develop and produce programme content for the BBC and compete in the open market for commissions across a range of genres.

EBITDA fell from £39 million in 2021-22 to £31 million in 2022-23. The BBC reported that the fall in EBITDA was partly due to increased investment in order to support future growth.

Studios Production secured 73 new commissions for the BBC and 29 from other UK commissioners.

Studios Distribution

The principal activity of Studios Distribution is to invest in content and intellectual property for global distribution and exploitation through content sales, channels and streaming services.

Operating profit increased in 2022-23 from £75 million to £99 million, and EBITDA increased from £91 million to £116 million.

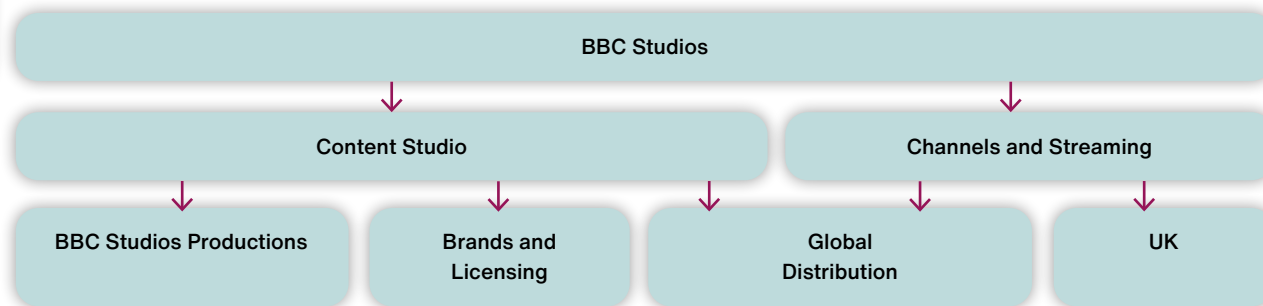
Revenue increased from £575 million in 2021-22 to £659 million in 2022-23 due to global partnership deals and BBC Studios sales. Operating costs also increased from £580 million to £626 million in 2022-23, which was driven by a £77 million increase in cost of sales.

Britbox International increased subscribers to three million across eight international markets, up more than 15% in the year.¹

Note

¹ Britbox is a subscription digital video service founded by BBC Studios and ITV. It mainly provides British television and films.

BBC Studios operates two lines of business: Content Studio and Channels and Streaming. The Content Studio accounted for £1,612 million of total BBC Studios sales (£2,090 million).



Part Two • Spending and financial management

The C&AG's audit opinion

The C&AG provides an independent audit opinion on accounts across the public sector

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:

- 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.
- 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.

BBC Group accounts

The C&AG issued unqualified true and fair and regularity audit opinions on the BBC Group accounts in 2022-23.

The C&AG also issued unqualified true and fair opinions on the commercial subsidiary accounts in 2022-23. 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 into with government ministers.

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

BBC Television Licence Fee Trust Statement

In accordance with Section 2 of the Exchequer and Audit Departments Act 1921, the Comptroller and Auditor General (C&AG) is required to assess the adequacy of the BBC's arrangements for assessment, collection and proper allocation of the licence fee. See page 27 for details on his findings in 2022-23.



Opinion on financial statements

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 2023 and of its deficit 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 Secretary of State directions issued thereunder.*

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Gareth Davies, Comptroller & Auditor General

Part Three - Staff and pay

Staff and pay

Trends in staff and pay

The number of full-time equivalent staff employed by the BBC Group increased by 588 in 2022-23 to 21,840. This increase was mainly caused by an increase of 635 staff, not including apprentices, employed by BBC Studios. In addition, the BBC Group increased the number of apprentices it employs by 158 to 424 between 2021-22 and 2022-23. The number of senior leaders in the BBC Public Service Broadcaster (PSB) Group increased from 234 to 242 in 2022-23.

The BBC spent £1,134 million on salaries and wages in 2022-23, compared with £1,049 million in 2021-22.

Full-time equivalent number of persons employed at 31 March 2023

Group	2023			2022	Annual change
	Staff excluding apprentices	Apprentices	Total	Total	
PSB Group	17,321	364	17,685	17,781	-96
BBC Studios	3,950	60	4,010	3,331	+679
Other commercial	145	0	145	140	+5
Group total	21,416	424	21,840	21,252	+588

The table below provides a summary of the changes to the Director General's cash earnings for 2022-23 versus the change in pan-BBC median earnings over the same period.

Pay multiples 2022-23

	2022-23	Change	2021-22
	£000s	%	
Director General earnings	525	0	525
Pan-BBC median earnings	49.3	6	46.4
Pay multiple	10.6		11.3

The BBC spent

£1,134 million

on salaries and wages in 2022-23



Top 5 on-air talents pay (£000s)

	Gary Lineker	1,350-1,355	2022-23
		1,350-1,355	2021-22
	Zoe Ball	980-985	2022-23
		980-985	2021-22
	Alan Shearer	445-450	2022-23
		450-455	2021-22
	Huw Edwards	435-440	2022-23
		410-415	2021-22
	Stephen Nolan	400-405	2022-23
		415-420	2021-22

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

14.9%



The median gender pay gap is the difference in gross hourly earnings between female and male employees, based on salaries paid directly to employees before income tax and social security contributions are deducted. In its 2018-19 annual report and accounts, the BBC reported that it had committed to closing the gender pay gap by 2020.

However, in 2022-23, the gender pay gap increased to 7.3%, compared with 5.9% in 2021-22. In its annual report, the BBC explained that the increase in the gender pay gap was mainly because of investments in pay for critical roles in areas which have a higher proportion of men working in them such as technology.

The BBC is only required to publish the pay of staff, including on-air talent, paid more than £178,000 by the BBC PSB. It does not include staff paid by the commercial elements of the BBC or those paid by companies commissioned by the BBC to produce programming.

Part Three • Staff and pay

Staff and pay *continued*

The pay disclosure threshold has changed

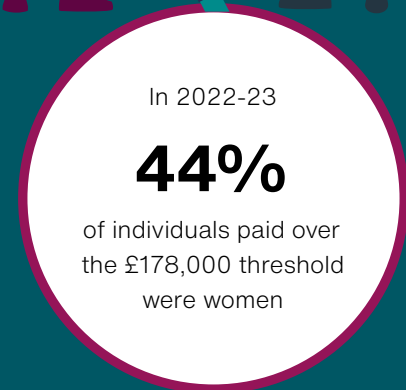
Each year since 2017, the BBC has been required to publish in the Annual Report and Accounts a list of those individuals, both on-air and off-air, who received more than £150,000 from licence fee revenue in the year.

When the Charter was published in 2016, it included a formula by which the £150,000 threshold should be amended in 2022-23 in order to recognise that pay inflation over time would mean that increasing numbers of individuals would receive income above the threshold level. Using the calculation set out in the charter, the threshold level over which individuals income must be reported has been updated to £178,000.

In 2022-23, 135 individuals, including 68 who are on-air, were paid above £178,000. Nearly half (44%) of people paid over the threshold were women.

Because this is a transitional year, the BBC also published the number of staff who received over £150,000 in 2022-23; 220 staff, including 87 who were on-air, received over this threshold in 2022-23 compared with 179 staff in 2021-22, of which 74 were on-air.

	2017-18 – over £150,000			2021-22 – over £150,000			2022-23 – over £150,000			2022-23 – over £178,000		
	On-air	Off-air	Total	On-air	Off-air	Total	On-air	Off-air	Total	On-air	Off-air	Total
Total	64	92	156	74	105	179	87	133	220	68	67	135
Women	22	32	54	33	48	81	37	71	108	28	32	60
	34%	35%	35%	45%	46%	45%	43%	53%	49%	41%	48%	44%



Part Three - Staff and pay

Transforming the BBC workplace

The BBC aims to ensure that it is a 'great place to work'

The BBC believes that, in order to deliver maximum value for all audiences, it needs to build a creative, innovative and inclusive culture.

Target: to become a 50:20:12:25 organisation

The BBC aims to achieve targets for 50% female staff, at least 20% Black, Asian and minority ethnic staff, at least 12% disabled staff by 2026 and at least 25% staff from lower economic backgrounds by 2027. In 2022-23, it achieved gender balance for the first time.



Key

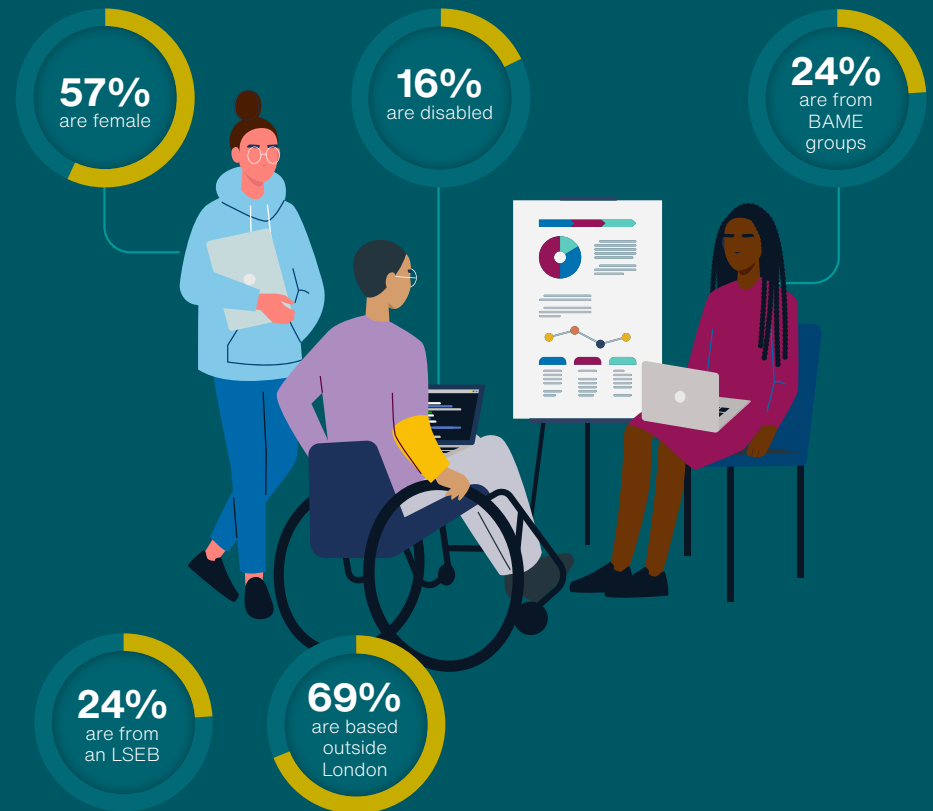
- Target
- All staff at March 2023
- Leadership at March 2023

Target: Increasing the number of apprentices to 1,000 by 2025

The BBC has committed to doubling its commitment to apprentices, supporting 1,000 apprentices in any year across the UK by 2025. Half of these BBC apprenticeships will be for existing members of staff (Staff Apprentices) and the remaining 500 will be new recruits to the organisation (Early Careers Apprentices). The BBC aims to recruit 80% of BBC apprentices outside of London.

In March 2023, there were 629 BBC apprentices working on a range of apprenticeships across the BBC. Of these, 398 apprentices were new hires to the organisation. This was an increase of 158 full-time equivalent staff compared to March 2022.

Of the 398 apprentices newly hired to the BBC:



Part Four • The BBCs strategic priorities

The BBC's strategic priorities in 2022-23

In September 2020, the BBC announced its new 'Value for All' strategy. In 2022-23, it continued to focus on the four priorities set out in its strategy.



In order to successfully deliver the 'Value for All' strategy, the BBC has identified three ways that it needs to transform.



Part Four • The BBC's strategic priorities

Renewing its commitment to impartiality

Strategic priority

The BBC has continued to focus on its commitment to impartiality in 2022-23. In its Annual Report and Accounts (2022-23), it reported that it has a

fundamental commitment to reporting without fear or favour, free of commercial or political interests, to the highest journalistic standards.

It highlighted that this is particularly important in the current political climate where, according to the World Press Freedom Index, journalism is completely or partially blocked in over 70% of the 180 countries it ranks.

The BBC is the most trusted source of news in the country

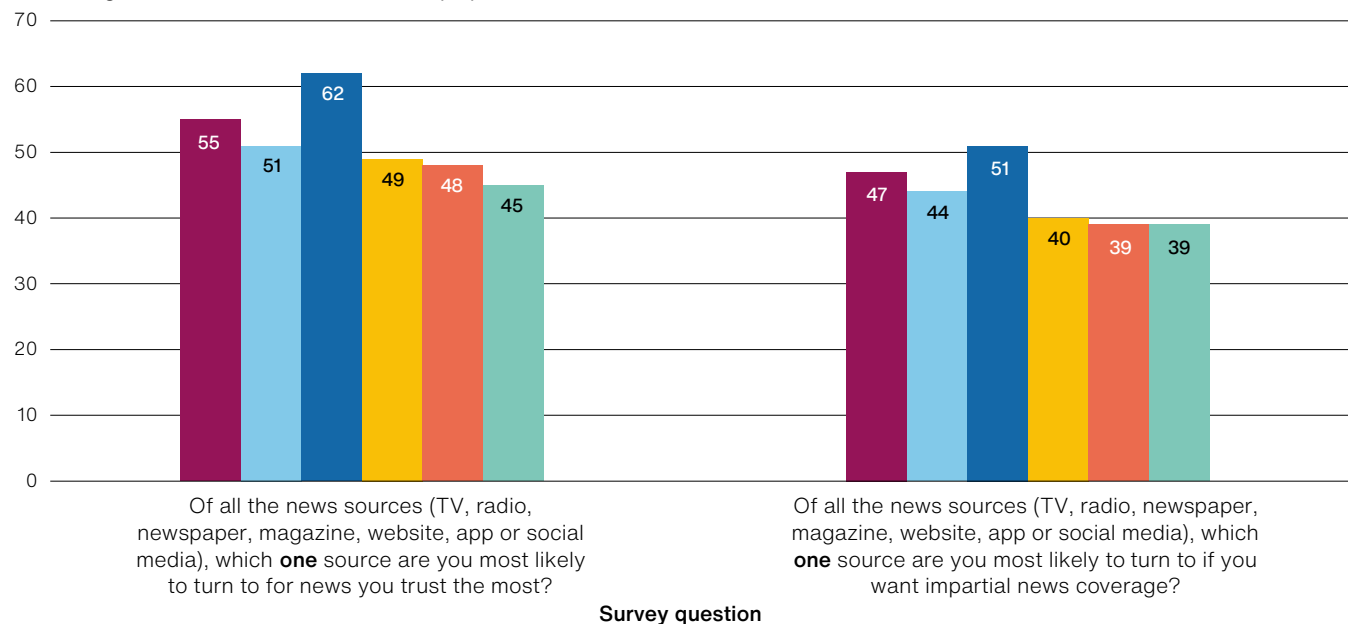
Nearly half (45%) of adults who follow the news reported that the BBC was the one news source they were most likely to turn to for the news they trust the most. This was significantly higher than other news sources: the Guardian, Sky News and ITV News were each identified as the next most trusted source by 6% of respondents.

Two-fifths (39%) of adults who follow the news reported that the BBC was the one news source they were likely to turn to for impartial coverage – much higher than the next most selected source (Sky News on 9%).

Since 2017-18, the proportion of adults who follow the news who report that the BBC is the one news source they are most likely to turn to for news they trusted the most, and for impartial reporting, has fallen. The proportion of adults who follow the news choosing other mainstream news providers as the source they trust the most or as the one source they were most likely to turn to for news has also fallen over this time period.

Audience perceptions of the BBC 2017-18 to 2022-23

Percentage of adults who follow the news (%)



■ 2017-18 ■ 2020-21
■ 2018-19 ■ 2021-22
■ 2019-20¹ ■ 2022-23

Note

¹ Fieldwork in 2019/20 coincided with the start of the first lockdown of the COVID-19 pandemic.

Source: National Audit Office analysis of Ipsos UK survey results as published in the BBC group annual report and accounts 2017-18 to 2022-23

Challenges to impartiality in 2022-23

There have been some challenges to the perception of BBC impartiality in 2022-23.

In April 2023, the Chair of the BBC, Richard Sharp, resigned following the publication of a report by the Commissioner for Public Appointments, which found that he did not fully disclose his links to a loan made to Boris Johnson in his application for the role of BBC Chair.

In March 2023, the BBC temporarily took Gary Lineker off-air from his role presenting Match of the Day following tweets criticising the government's asylum policy.

Part Four • The BBC's strategic priorities

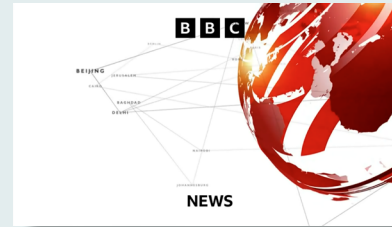
Renewing its commitment to impartiality *continued*

Key activities the BBC has undertaken to support its commitment to impartiality



Launching BBC Verify

In May 2023, the BBC launched BBC Verify. This is a new brand designed to address disinformation and build trust with audiences by showing how BBC journalists know the information they are reporting. This work includes giving audiences more information on the tools and techniques BBC news journalists are using to investigate, verify and source information.



Producing coverage of global events

The BBC has reported on significant global events, including the invasion of Ukraine and riots in Iran. The coverage has been viewed by audiences both in the UK and abroad.



Publication of the first independent thematic review of output

In January 2023, the BBC published its first thematic review as part of its 10-point impartiality plan announced in October 2021. The thematic review covered the BBC's coverage of taxation, public spending, government borrowing and debt. It concluded that there was widespread appreciation for BBC coverage of these areas, but it raised some concerns around gaps and assumptions that put impartiality at risk.



Launching an independent review into social media guidance

In March 2023, the BBC launched an independent review into how its social media guidance applies to freelancers. The review considered which freelancers should be covered by the guidance, what impartiality requirements should apply to freelancers and whether guidance should be the same for all freelancers. Following the [review](#), updated guidance was published on 28 September 2023.



Interviewing high-profile politicians on local radio

In September 2022, eight BBC Local Radio hosts interviewed Liz Truss during her tenure as Prime Minister. The journalists received a national award from the Broadcasting Press Guild for these interviews.

Part Four • The BBC's strategic priorities

Focusing on unique high-impact content

Strategic priority

To deliver value for all, the BBC must offer high-quality content to everyone, representing the diversity of needs and interests across the UK. In its 2022-23 Annual Report and Accounts, the BBC set out that in today's competitive landscape its goal is to focus on the unique, distinctly British content that sets it apart and resonates most strongly with audiences. As a Public Service Broadcaster (PSB), the regulator Ofcom requires the BBC to deliver certain content as part of its operating licence. This includes broadcasting regular news bulletins throughout the day and specific targets for news and current affairs programming, national and regional programming, made out of London productions, first-run programmes and the level of BBC original productions. Ofcom has also set transparency requirements related to specific genres, such as children's, religious, arts, music and specialist factual programmes.

Across the UK

The BBC's Across the UK plan is designed to shift people, power and decision-making to the UK's nations and regions. The plan is intended to ensure that the BBC reflects the views and voices of the whole of the UK and that the social, economic and cultural benefits of the BBC are felt as widely as possible across the country.

In 2022-23, this included making programmes across the nations and regions including *The Traitors*, *Bloodlands* and *Waterloo Road*.

Over half (58%) of the BBC's commissioning spend on network TV in 2022-23 was outside London. It aims to have at least 60% of network TV commissioning spend outside London by the end of 2027.



**6 hours
9 minutes**

The average time spent watching BBC TV/iPlayer on average per person per week. This is more than Netflix, Disney+ and Amazon Prime video combined.



27.4 million

The number of people who watched the Women's European Football Championships on the BBC across the tournament.



447 million

Global weekly reach of the BBC, including BBC News and BBC Studios.



Producing high-quality radio and TV programmes

The BBC produced radio and TV programmes for UK audiences, including *Wild Isles*, *Happy Valley* and *The Traitors* (TV), and *Piano Room* and *Night Tracks* (radio).

In 2023, the BBC's content won 13 BAFTA TV awards and 18 Golds at the Audio and Radio Industry awards.

Key activities that the BBC has undertaken to produce and deliver unique high-impact content



Providing live coverage of key national events

The BBC covered significant national events in 2022-23. These included the Platinum Jubilee and the funeral of HM Queen Elizabeth II.

The BBC also provided live coverage of sports and music including Glastonbury, the BBC proms and the Women's European Football Championships.

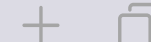
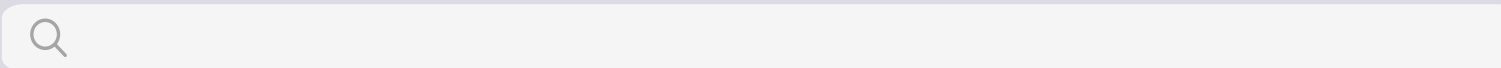
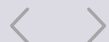


Investing in diverse and inclusive content

The BBC is delivering its plans to invest £112 million of its video and audio commissioning budget over three years into diverse and inclusive content. The BBC [Annual Report and Accounts 2022-23](#) reports that titles representing a diverse range of communities in 2022-23 included *Waterloo Road*, BBC Scotland's *The Wedding*, *B&B By the Sea*, BBC Three's *Blood, Sweat and Cheer*, and children's title *A Kind of Spark*.

Part Four • The BBC's strategic priorities

Extracting more value from online



Strategic priority

Content produced by the BBC, and across other platforms, is being increasingly consumed by audiences online. In its 2022-23 Annual Report and Accounts, the BBC set out that this means that in order to deliver value to all, the BBC's online products must be world class and offer the best possible experience.

7.3 billion



The number of streaming requests in 2022-23, up 11% from the prior year.

1.6 billion



Plays of radio, music and podcasts in 2022-23, a 7% increase from the prior year.

A Digital-first BBC

In May 2022, the BBC set out a six-year plan to create a modern, digital organisation. This digital-first approach is designed to support the BBC in its strategy to deliver more for audiences and drive the most value from the licence fee. In December 2022, the NAO published a [report](#) evaluating the BBC's progress in implementing its overall digital strategy (see pages 25 to 26).

One in three



The number of adults reached on average per week by BBC News Online.

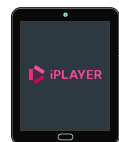
20.6 million



The number of active accounts accessing BBC Online products on average per week in 2022-23, up from 18.5 million in 2021-22.

Key activities the BBC has undertaken to extract more value from online

Increasing accessibility to iPlayer



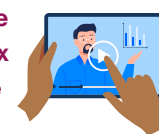
This included working with partner organisations to make it easier for viewers to access iPlayer through multiple platforms, including streaming sticks.

Improving the user experience of BBC Sounds



This included the introduction of Back to Back Sounds which offers users hours of uninterrupted music and the ability to pause and rewind live radio on smart speakers.

Increasing the number of box sets available on iPlayer



In November 2022, Ofcom approved plans to increase the availability of box sets and archive content available for viewers on BBC iPlayer.

Increasing the BBC's understanding of what audiences want from their digital products



Using information from users of digital products to better understand what audiences want. In 2023, between January 1 and the publication of the Annual Report and Accounts, more than 22 million accounts accessed BBC products online on average per week.

Part Four • The BBCs strategic priorities

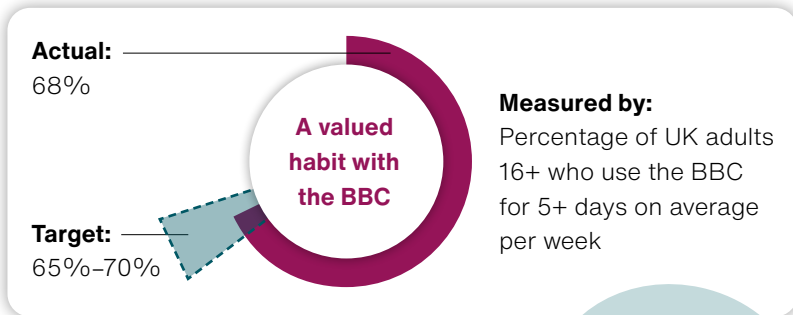
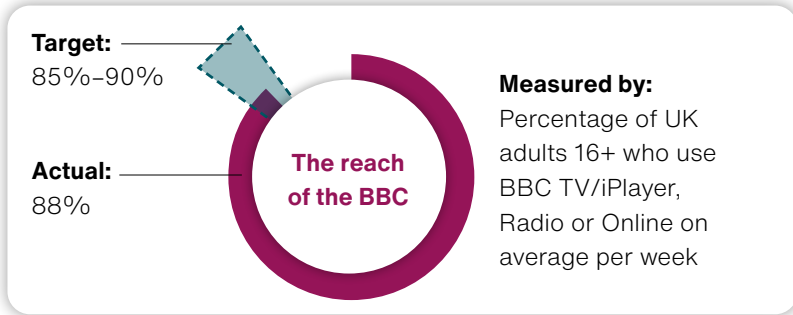
Value for audiences: audience targets

The BBC met its audience performance targets in 2022-23

The BBC sets and reports on a range of targets each year in order to measure its audience performance. In 2022-23, it reported that it had met all the targets set across its three key areas of focus:

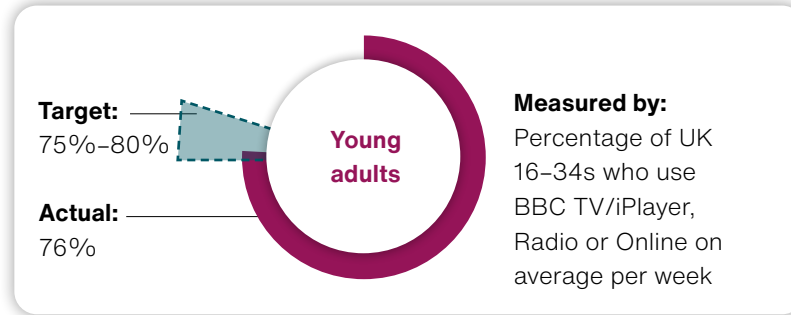
1 Ensure delivery of value to audiences overall

Targets in this focus area included:



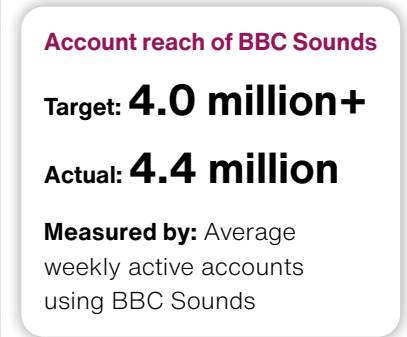
2 Maintain focus on key audience challenges

Targets in this focus area included:



3 Accelerate activity central to continued and future delivery of value to audiences

Targets in this focus area included:



Part Four • The BBC's strategic priorities

Value for audiences: audience targets *continued*

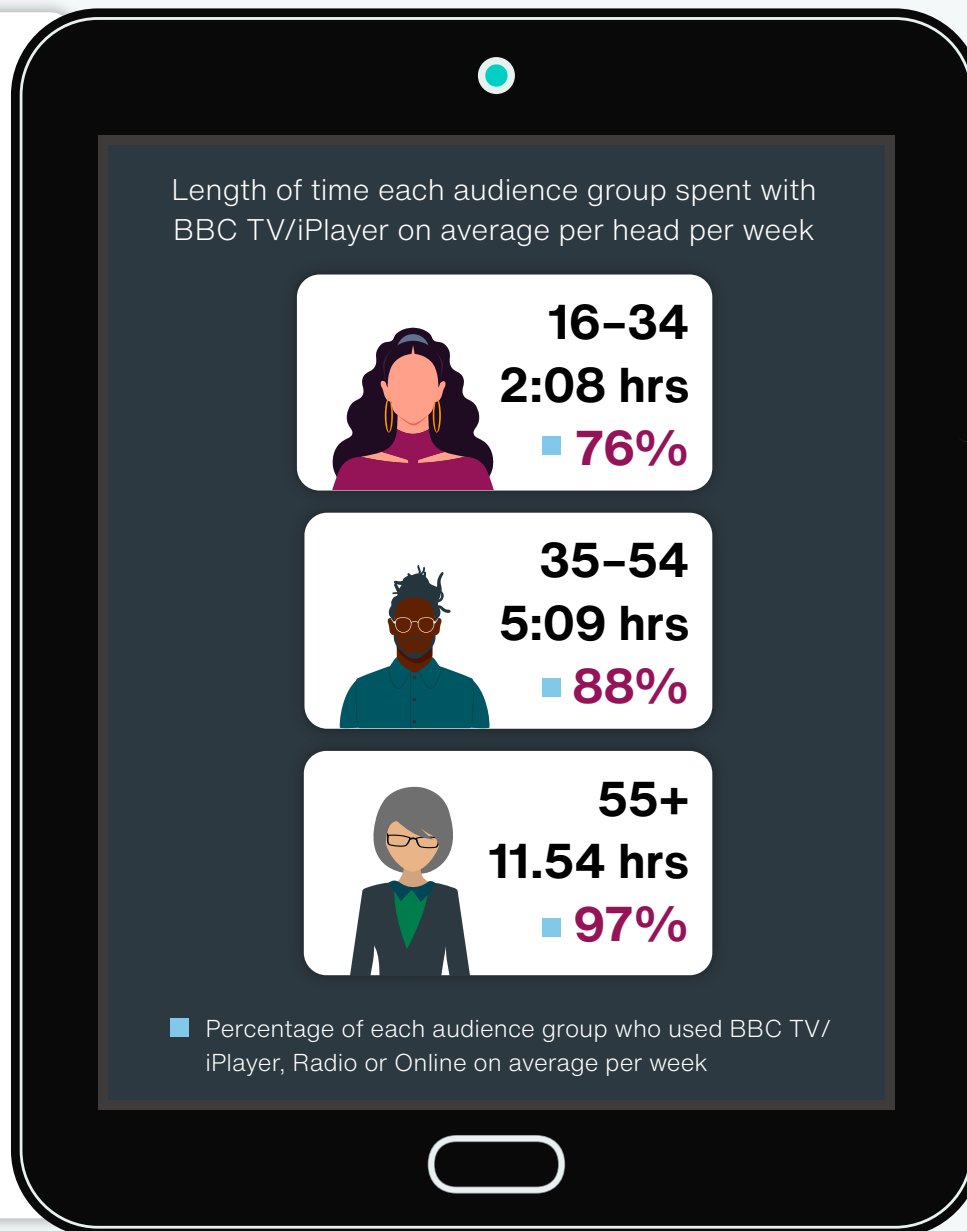
Challenges to BBC audience engagement

Overall broadcast TV viewing in the UK has been falling since 2013-14, with the exception of increased viewing in 2020-21 due to lockdowns caused by the COVID-19 pandemic. Although this trend began with younger viewers and is most pronounced in this age group, older audiences are also watching less broadcast TV than in 2013-14. Audience figures for the BBC fell less than the rest of the broadcast TV market year-on-year in 2022-23.

There was significant variation by age in the use of the BBC. On average, adults aged over 55 spent nearly 12 hours per week watching BBC TV or iPlayer compared with just over 2 hours per week on average for those aged 16-34. In its 2023 Media Nations report, Ofcom found that young people spent more time watching content from video sharing platforms, such as YouTube and Tiktok, than any other content type. There was also variation in the overall use of the BBC by age. For example, 97% of people aged over 55 used BBC TV/iPlayer, BBC Radio or BBC Online on average per week compared to 88% of those aged 35 to 54 and 76% of those aged 16 to 34.

In its 2022-23 Annual Report and Accounts, the BBC reported that there was still too much variation in how it serves and represents different parts of the UK and people from different backgrounds. For example, 90% of adults from a white background used BBC TV/iPlayer, Radio or Online on average per week, compared to 73% of adults from a Black, Asian and other minority ethnic background. The BBC's focus on this includes its Across the UK plans and its commitment to investing in creative and diverse content (see page 21).

Although the use of BBC Sounds (which plays live radio broadcasts, audio on demand and podcasts) continues to grow, this has not compensated for the fall in listeners to BBC Radio which has occurred year-on-year. The BBC reported that this was due to competition from music streaming services, such as Spotify, and commercial radio.



Part Four • The BBC's strategic priorities

Building its commercial income

Strategic priority

The BBC is seeking to secure the investment and the partners required to make high-quality programmes in a competitive market while generating maximum financial returns for licence fee payers. In its 2022-23 Annual Report and Accounts, the BBC reported that offering licence fee payers the best possible value means building commercial income to put more value on-screen and on-air, and to increase financial returns. The BBC's largest commercial subsidiary, BBC Studios, has committed to growing financial returns by 30% to £1.5 billion in the five years from 2022-23.

2022-23 progress

With approval from the Department for Culture, Media and Sport (DCMS), the BBC's commercial arm increased the borrowing limit to £600 million in 2022-23 to allow it to invest in new initiatives that will deliver greater revenue and growth in BBC Studios. The business will grow by:

- expanding existing and new intellectual property (IP) brands, such as *Doctor Who*, *Bluey* and *Strictly Come Dancing*, and programming from the Natural History Unit;
- sustaining the performance of linear channels while growing digital services; and
- investing in major customer partnerships, such as the distribution deal with Disney+ for the *Doctor Who* franchise.

BBC Studios broke through £2 billion in sales for the first time. It continues to be the largest UK exporter of TV content.

New and returning titles included *Happy Valley Series 3*, *Frozen Planet II* and *Strictly Come Dancing/Dancing with the Stars*.

The BBC's in-house Children's production arm also joined BBC Studios to create a new genre as BBC Studios Kids & Family.

Looking forward

The borrowing limit for the BBC's commercial arm will increase to £650 million from April 2025, with a final increase to £750 million in April 2026. The BBC reported that the increased borrowing facilities will enable strategic investment in new initiatives.

BBC Studios will begin its five-year growth strategy in 2023-24 and announced its aim to double the size of the business from 2021-22 to 2028. The plan includes investing in a growing content pipeline that aims to increase income across the business, including content sales, brands and licensing, channels and streaming.

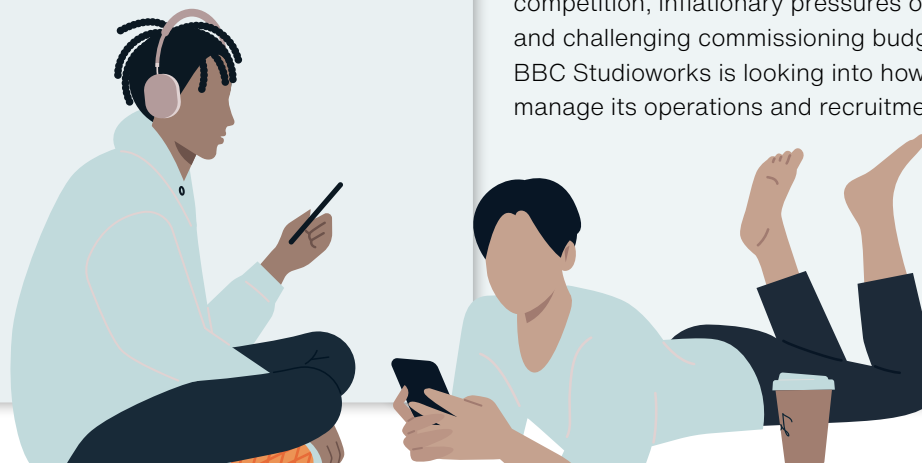
The BBC plans to invest in developing new digital products and services.

Key challenges

The cost of content and competition is increasing. On-demand markets are maturing as consumers appear to be reaching the limit of what they are willing to pay for ad-free TV.

Linear TV is the traditional television medium, with viewers tuning in to watch a programme at a scheduled time using ariel, cable or satellite. As a result of the economic downturn and high inflation that began in 2022, advertising budgets have been reduced, which has created challenges in the linear TV advertising market and declining pay TV revenues – as well as having an impact on profits in Channels and Streaming within BBC Studios. In contrast, there has been continued growth in online advertising.

The TV studios business remains a low-margin sector with increasing competition, inflationary pressures on costs and challenging commissioning budgets. BBC Studioworks is looking into how best to manage its operations and recruitment.



Part Five • The NAO's reports in 2022-23

NAO report: A Digital BBC

A digital BBC

The BBC sees its digital services as essential to its long-term future. In September 2020, the BBC's Director General launched the Value for All strategy, which prioritises extracting "more value from online". 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.

In December 2022, the NAO published *A digital BBC*.



National Audit Office report

Our 2022 report assessed whether the BBC has the capability to deliver value to its users from its strategic technology review.

The report found that the BBC has clearly set out its vision for using digital technology and data to improve the services it offers and has set out a plan for implementing its strategic technology review. However, strong digital leadership is important to enable the BBC to make rapid progress in a challenging environment and the BBC's digital leadership needs to evolve in line with its digital ambitions. 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.

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 was £98 million in 2021-22. 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.

In May 2022, the BBC announced a £500 million plan, in support of its 'digital-first' plans. At the time of publication in December 2022, the NAO found that 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 has also faced difficulties in recruiting and retaining specialist digital staff which has slowed technical development.

The BBC's digital products are performing well against better-funded media organisations. 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.

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.

Our report recommended that the BBC should:

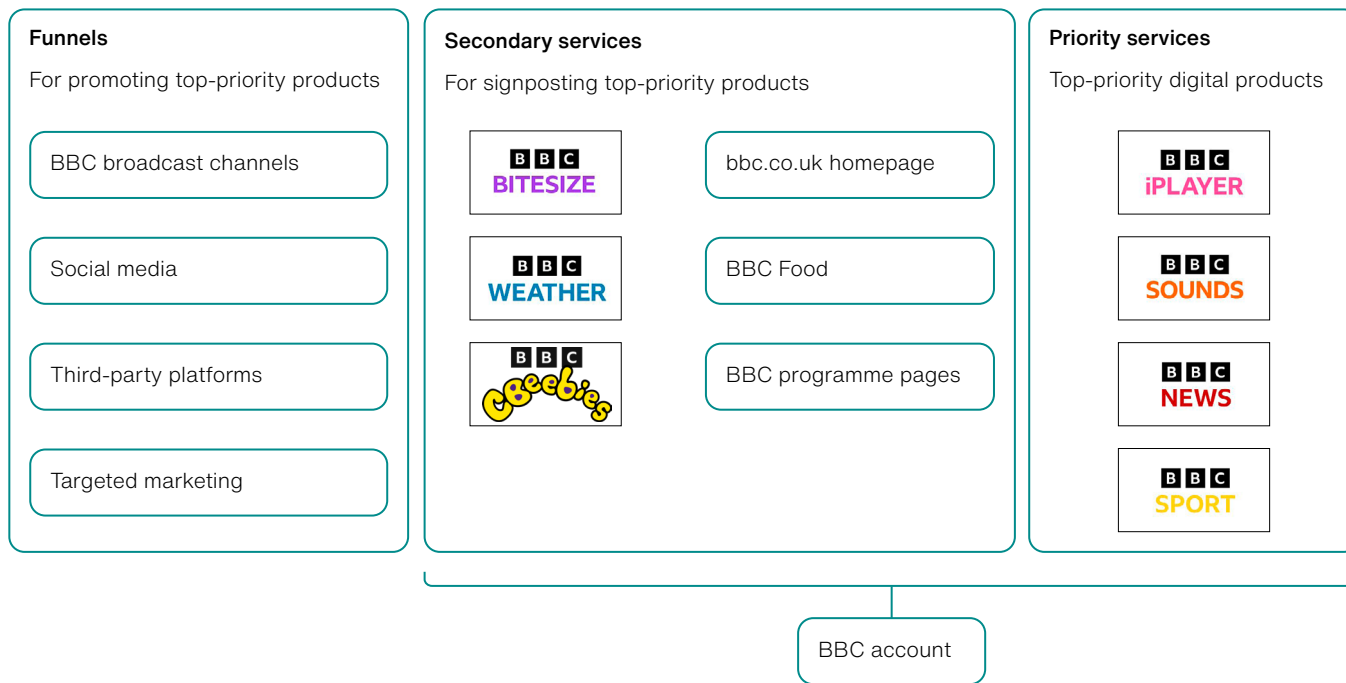
- develop its leadership structures to ensure effective senior challenge of its digital projects;
- building on its December 2022 announcement, plan scenarios for how it could move between broadcast and internet services in the future;
- set out how it plans to develop its personalisation strategy, including managing potential data risks; and
- improve the detail that supports its digital-first investment plans.

Part Five • The NAO's reports in 2022-23

NAO report: A Digital BBC *continued*

The BBC's digital portfolio including its priority and secondary services as well as its funnels

The BBC uses a variety of digital and non-digital methods to signpost audiences to its top-priority digital products to increase their usage



Underpinned by the BBC's *Value for All* content strategy

Notes

- 1 These are a selection of the BBC's digital products with a mix of mandatory and voluntary sign-in options via a BBC account.
- 2 The BBC's 'priority services' are those which it expects to be significant contributors to the value it provides to its audiences by directing people to its content. Secondary services refer to existing services that either meet a specific utility need, such as Weather, or meet the need of a specific life stage, for example, Bitesize.

Source: National Audit Office analysis of BBC documents



Part Five • The NAO's reports in 2022-23

Report on Section 2 of the Licence Fee

In accordance with Section 2 of the Exchequer and Audit Departments Act 1921, the C&AG is required to assess the adequacy of the BBC's arrangements for assessment, collection and proper allocation of the licence fee.

Gender disparity review

During 2022-23, the BBC conducted a review of the gender disparity in prosecutions for licence fee evasion, in order to better understand why 75% of those convicted for non-payment of the TV licence fee are women.

The review published in May 2023 found that there is no evidence of direct discrimination by TV Licensing (TVL). Societal factors, which are outside of TVL's control, such as household composition and who is at home during inspection field visits, were the significant factors behind the gender disparity.

The BBC has created a 10-point plan in response to this review to provide more support for those facing financial hardship and to introduce better processes when TVL engages with unlicensed households. These proposals include widening access to the Simple Payment Plan (an instalment plan) for those facing financial hardship (subject to regulatory changes).

Key findings

Licence fee income has fallen and the costs of collection and rates of evasion are increasing.

The decrease in licence fee sales reflects a net increase of around 360,000 in customers declaring 'no licence needed'. This change in viewing habits, together with a slowing in the growth of households, reduces the BBC's potential market for licences. The BBC expects further declines in licence fee income due to the shift towards on-demand viewing.

For the first time since 1995, the estimated rate of evasion is over 10%, representing around £430 million in lost revenue. The BBC has found that changing viewing habits, plus cost-of-living challenges, increase the risk of evasion. It estimates that every percentage point reduction in the evasion rate that it can achieve equates to around £43 million of extra revenue.

Prosecutions for licence fee evasion have fallen in recent years. BBC research found that lower evasion is associated with an increase in TVL enforcement activities, such as calls, visits and prosecutions. Owing to COVID-19 restrictions, enforcement visits were suspended during 2020 and early 2021.

This had an impact on the number of prosecutions for licence fee evasion, which fell from around 114,000 in 2019 to 40,220 in 2022. Enforcement activities – including prosecutions – have also been impacted by a shortfall in field officers during 2022-23.

To reduce evasion, the BBC trialled targeted communications in 2022-23 to demonstrate the value obtained from a licence fee and it has clarified what constitutes licensable content on the TVL website and through a dedicated team. It is also providing more support to those facing financial hardship.

Costs of collection increased during 2022-23 due to increases in external contract costs and postage. The operational and IT environment used to collect licence fees is being upgraded to improve the customer experience, create efficiencies and enable stable, supported and secure IT. While small-scale upgrades have been made to some operational systems during 2022-23, implementation of the programme is behind schedule due to delays experienced during programme set-up.

Net income from licence sales decreased by £59 million (1.6%) to £3,741 million



Customers declaring 'no licence needed' increased by around 360,000 (14.5%) to 2.84 million



The estimated licence fee evasion rate increased to 10.31% in 2022-23 from 9.38% in the prior year



The number of prosecutions for licence fee evasion has fallen in recent years



The cost of collecting the licence fee was £136.5 million in 2022-23, 3.7% of licence fee income – an increase from 3.2% in 2021-22



Part Six • What to look out for

What to look out for



Publication of the BBC Mid-Term Review

The Department for Culture Media and Sport (DCMS) announced the launch of the Mid-Term Review in May 2022.

The BBC Charter sets out that the Mid-Term Review must take place between 2022 and 2024, and cover the governance and regulatory arrangements for the BBC.

The review will examine the effectiveness of the BBC's governance and the framework by which Ofcom holds the BBC to account in a range of areas. These include impartiality, accountability and transparency, handling of complaints, and how the BBC represents the breadth of the audience it was established to serve. It will also look at how the BBC and Ofcom assess the market impact and public value of the BBC, and how that relates to its role in the UK media landscape.

As set out in the Charter, the Mid-Term Review is limited and must not cover the Mission of the BBC; the Public Purposes of the BBC; or the licence fee funding model of the BBC for the period of this Charter.



Appointment of the new BBC Chair

The government is currently in the process of appointing a new BBC chair to replace Richard Sharp who resigned in April 2023. This process is expected to take several months. From June 2023, the role has been held by Acting Chair Professor Dame Elan Closs Stephens.



Publication of the NAO report into Across the UK

In Autumn 2023, the NAO will publish its report considering the BBC's preparations for Across the UK, its progress so far and its preparedness for the remainder of the programme. We will examine:

- whether the BBC's Across the UK strategy is evidence-based and supported by a practical delivery plan;
- whether the BBC has so far achieved what it intended for the programme; and
- whether the BBC is well-placed to deliver the intended outcomes and respond to change for the remainder of the programme.



Outcome of the review in the BBC complaints process following allegations of improper conduct by key staff

The BBC is carrying out an internal investigation into the behaviour of Huw Edwards, who was suspended in July 2023 following allegations of improper conduct.

In response to these allegations, the BBC Director General Tim Davie has commissioned a separate review to determine whether the BBC's complaints protocols and procedures are appropriate.