



From the Director-General

6 June 2022

Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

Dear Chair

Thank you for your email of 21 April 2022 requesting further information on our plans following the Licence Fee settlement and our strategy for future investment.

We set out our plans for the BBC for the year ahead in the [BBC Annual Plan 2022/23](#), published on 30 March. We report progress against the Annual Plan each year in our Annual Report and Accounts.

You will have seen we also recently announced a number of revised strategic priorities to take account of the recent licence fee settlement, the details of which are included in our responses here.

Best wishes,

A handwritten signature in black ink, appearing to be 'T. Davie'.

Tim Davie
Director-General

1. *The BBC's overall savings target for the licence fee period, what you plan for the individual components of this to be, and your timeframe for delivering this target.*

The licence fee settlement announced in January 2022 (that the licence fee will remain flat for two years from 2022/23, following by CPI increases for four years) presents a challenging financial context for the BBC. Whilst we recognise the licence fee is a privilege, this is a disappointing outcome at a time of high inflation and media super-inflation.

As a result of the settlement, we will need to find up to £285m in annual savings by 2027/28.

We have now set out our plans to become a digital-first public service media organisation, ensuring we remain relevant and can continue to provide great value for all. We have also announced changes to content and services, efficiency savings and emphasised our drive to seek new commercial investment to manage the demands of the licence fee settlement.

The first phase of this programme represents £500m of annual savings and reinvestments to make the BBC digital-led. As part of this, £200m of savings will contribute to the £285m annual funding gap over the next few years. The final funding gap will be covered in the remainder of the Charter period, which is consistent with previous savings programmes. We will also reallocate £300m from existing budgets to drive a digital-first approach, through changes to content and output and through commercial growth.

2. *The BBC's proposed areas for productivity improvements in the new licence fee period, with particular reference to the BBC's use of technology and its estates, as well as changes in working arrangements that have arisen following the Covid-19 pandemic.*

In previous savings plans, the BBC focused on delivering savings through productivity improvements in order to protect our content and reduce the impact on audiences. This was very successful, with 95% of the BBC's total costs going direct to programme-making and services and overheads remaining at industry-leading levels at 5%.

Recognising this success, whilst there are still further opportunities to improve productivity, it is undoubtedly going to be harder in the future – and it is inevitable that the balance of future efficiencies will shift to come more from changes to our output and services, including content development.

That notwithstanding, we are continuing to limit the number of senior leaders and simplifying the way we work in the BBC, removing any remaining duplication in teams across the BBC, stopping bespoke activity when it's not essential, and continuing to standardise the technology we use to be better and more flexible. We continue to work in a hybrid manner, building on the experiences and learnings from the pandemic. Reducing our property estate is a key part of our strategy.

3. *The BBC's proposal for controlling its staff costs, including any headcount reductions that this may entail.*

The BBC has made good progress in reducing PSB staff, with a reduction of over 9% since 2016/17. Over the past year, we've continued the drive to operate with a smaller public service workforce and have reduced over 1,200 roles. Based on our current projections, we anticipate there will be a further 1,000 fewer people employed on the public service side of the BBC over the next few years.

4. Any changes that the BBC proposes to make to the content it provides in the new licence fee period, with particular reference to its performance in reducing the number of repeats and strategy underpinning the use of repeats.

Changes to content we intend to make in response to the licence fee settlement include:

- **Merging the BBC News channel and BBC World News** to create a single, 24-hour TV news channel serving UK and international audiences, called BBC News, offering greater amounts of shared content, but maintaining the ability to offer separate broadcasts depending on what's happening at home and abroad.
- Plans to **ultimately stop broadcasting smaller channels**, including CBBC, BBC Four and Radio 4 Extra, after the next few years as target audiences increasingly migrate online.
- **Reshaping our local radio offer to increase programme-sharing**, while protecting local news bulletins and key live sport commitments.
- **Ending the opt-outs for Oxford and Cambridge**, merging these regions with South Today and Look East to bring them into line with the average size of TV news regions in England.
- **Cancelling We Are England** and reinvesting this spend into local investigative journalism.
- Plans to **stop scheduling separate content for Radio 4 Long Wave**, consulting with partners including the Maritime and Coastguard Agency, ahead of the closure of the Long Wave platform itself.

As part of our strategy to become a digital-first public media organisation, we will also reallocate significant spend into iPlayer-driving premium video content over the next few years, across a rich mix of genres. This will entail tough choices about titles which may be strong on linear broadcast but are not doing enough to drive viewers to our digital online services. We will also simplify our linear broadcast schedules to cut the volume of hours we commission by over 200. We will set out more detail in due course.

With increased choice of viewing, the value of repeats and archive has increased, with the market demonstrating this through the growth of SVoD platforms. For the BBC, we have seen the value of repeats and archive in on-demand – with increased viewing of titles long after the broadcast window and younger audiences discovering archive titles online (e.g. Waterloo Road has been one of the most viewed titles for 16-34 audiences on iPlayer in the past two years).

In 2020, Covid disrupted the supply of programming, leading to fewer originations and increased volume of repeats on broadcast channels. Going forward, repeat rates on BBC One will reduce back to pre-Covid levels of approx. 5-9% of peak hours. However on BBC Four we intend to emphasise the value of archive to showcase more from the BBC's back-catalogue.

5. The BBC's plans for developing content to ensure that it is producing the fresh content necessary to compete with other producers and generate additional income.

BBC Studios, the BBC's main commercial subsidiary, is the BBC's main vehicle for developing content to compete with other producers while supporting independent production companies and creating iconic intellectual property to promote BBC-branded content and UK culture to global audiences. The approach of BBC Studios is to actively commercialise across all lines of business on a case-by-case basis depending on what will give the best return for licence fee payers.

The strategy is working well. BBC Studios is on track to deliver a 5-year target of £1.2 billion worth of returns to the BBC's public service operations, as we will shortly report. We have a new

ambitious target of £1.5bn financial returns over the next five years from 2022/23, up 30% on the last five years. We will achieve this by moving more of our production model into BBC Studios which, combined with the global opportunities it presents to build key programme brands, will also help to bring more of the BBC to the world and drive the best value for our investment in this genre.

We will continue to build major partnerships with the likes of FX, Discovery and ITV so we grow as a global provider of services and premium content. BBC super-landmark series are typically funded around 20% from the licence fee, with the remainder funded largely internationally, bringing audiences these programmes with only a fraction of the cost coming from the licence fee.

6. The BBC's plans for personalisation and digitisation of its services.

Transforming our digital offer and capabilities, and driving increased personalisation of our services to meet audience expectations, is a key priority for the BBC. We are moving decisively to becoming a digital-first public service media organisation. Our key priorities are to:

- **Reach 75% of all BBC viewers via iPlayer each week.** Currently iPlayer reaches less than 50% on average per week. We will do this by re-allocating significant amounts of spend into video that delivers on iPlayer across a broad mix of genres. We will propose to Ofcom to expand boxsets and archive on iPlayer to have more BBC series available on demand, and we will create new on-demand content and formats from News.
- Continue to transform our network news operation to **ensure digital is at the heart of all new story teams**. Every part of our news output will now be judged not just on linear performance but also streamed delivery.
- **Accelerate digital audio growth**, moving more of the 34 million people who listen weekly to linear radio stations to become habitual users of BBC Sounds. We are reorganising all our network radio commissioning to work better as speech and music portfolios, bringing broadcast and on-demand content together. We will simplify some schedules and cancel some shows where linear and on-demand performance is not delivering.
- **Ultimately stop linear broadcasts of BBC Four, CBBC and Radio 4 Extra** as audiences migrate online. We won't do this for at least the next three years because they currently still deliver value to millions of viewers and listeners at low extra cost.
- **Move some of our broadcast World Service radio and television services off linear** where digital provides the better future route to audiences. This builds on the model we're already using in Latin America and parts of Europe. (We will, of course, protect broadcast services where that's likely to remain the best way of reaching people in the long term).

To achieve these, we will ensure that our digital services like iPlayer and BBC Sport remain world-class. Indeed, the success of our online services is the success of the BBC over the next five years. We have put in place a new digital product operating model under the leadership of a new Chief Product Officer to ensure the BBC continues to be at the forefront of digital innovation.

We have already begun investing more in product development, with an extra £10m this year. From 2025, we expect to be investing up to an additional £50m per year, transforming our level of personalisation and our use of real time data, and making our services as easy to use as possible.

We will continue to personalise iPlayer to make it much more relevant to every age group and different parts of the UK. In News, we will fully roll out and continuously improve the new News

app as a signed-in experience. In Sounds, we will continue to improve our on-demand music offer, showcase some of the best non-BBC podcasts from British creators, and host more of our podcasts on Sounds first.

7. *The BBC's plans for its regional presence, including those for ensuring that the regional voice is fully protected, and for moving staff outside of London.*

The BBC's [Across the UK](#) and [Levelling Up and the BBC](#) strategies are aimed at ensuring the BBC reflects, represents, and serves all parts of the country. The programme represents a significant transformation of the BBC, with hundreds of millions of pounds of BBC investment transferred by the end of the Charter, and a meaningful expansion of creative spend and decision-making outside London. Our aim is to build on the success we have already had in places like Salford and Glasgow, including by:

- Investing an extra £700m outside London by the end of the Charter, generating £850m of economic benefit.
- Increasing investment in the production of TV content from 50% to 60%, and radio and music from 40% to 50%, outside of London.
- Launching the biggest BBC investment in the North East for decades - £25m over the next five years - and a new production and skills partnership for the West Midlands.
- Moving major parts of BBC News to centres across the UK, resulting in half of our UK story teams being based around the UK and our biggest news strands being presented from across the UK.

The next year will be critical in delivering this ambition. By September, all planned BBC News teams will be transferred to their new UK bases, including Newsbeat and Asian Network news to Birmingham, and News story teams to Salford, Leeds, Glasgow and Cardiff. In Radio, the Radio Science team will relocate to Cardiff by Autumn 2022, followed by the move of further Asian Network programming to Birmingham. We will look to move further radio programming across the UK during the next year as part of the Radio Commissioning Framework, as well as progressing plans to move further radio output later in the Charter.

We are planning to launch new TV commissions and productions in key UK regions that better reflect the communities we serve. Audiences will see more local stories with national resonance as a result of our co-commissioning strategy. We will continue to move established series from London to other parts of the UK to increase skills and economic impact. We will continue to increase our Network commissioning footprint across the UK, including a documentary commissioner based in the North, and a Bristol-based commissioner covering Specialist and Popular Factual.

We want to do more to change the socio-economic mix of our staff to better reflect UK society. As recently announced, by 2027/28 we want 25% of our staff to come from a low socio-economic background and we are one of the first media organisations in the UK to set a target for socio-economic background. We are also committed to delivering the first phase of the expansion of our skills and apprenticeship programmes in 2022/23. This includes the BBC's core apprenticeship programme with plans to introduce 1,000 apprenticeships by 2025, and the enrolment of the first cohort into the Apprenticeship Hub in the West Midlands.

8. *The BBC's plans for increasing commercial returns, domestically and internationally, and boosting third-party funding while protecting Intellectual Property rights.*

Increasing commercial returns, both domestically and internationally, is a major part of the BBC's strategy. BBC Studios saw strong commercial growth last year across the board: Britbox International (our global British streaming service in partnership with ITV) now has 2.5m subscribers; UKTV has just delivered its highest-ever share of commercial impacts; and BBC Studios is the number one international TV distributor outside Hollywood and Bollywood. This year we expect to meet our ambitious goal of reaching 500m people outside the UK every week.

BBC Studios are on track to meet the target of £1.2bn financial returns to the BBC's public service operations by 2021/22, up 18% on the previous five years. We have an ambitious new target of £1.5bn over the next five years from 2022/23, up 30% on the last five years. Financial results are due to be published shortly following completion of the year end audit.

In order to protect audiences from the dual impact of industry super-inflation and reduced funding, we have grown the amount of third party investment into our content. Third party funding increased from £209m in 2016/17 to £385m in 2019/20. Investment levels fell back again in 2020/21 as a result of delays caused by the pandemic, but we are forecasting a return to pre-pandemic levels in 2021/22, the financial results of which are due to be published shortly.

Third party funding offsets the investment required from the licence fee to produce the same high quality content audiences have come to expect. While the underlying IP remains with the original producer, the BBC will sometimes trade away licencing rights in order to secure and deliver these programmes for UK audiences. The BBC has taken three key steps to improve our position in terms of IP:

- **Setting up BBC Studios Productions:** This has enabled the BBC to make programmes for third parties (and own the IP), while also facilitating a large scale creative refresh and new content mix – better equipping BBC Studios Productions to compete in the market for valuable commissions.
- **Integration of Production and Distribution:** Vertical integration has enabled BBC Studios to focus on maximising IP ownership and control across the entire value chain. Alongside the goal to own and control more IP, it is critical that we are able to exploit it effectively, to ultimately deliver commercial returns back to the BBC's public service operations.
- **Enhanced BBC Studios Productions assets and capabilities:** BBC Studios operates a portfolio of owned and invested indies focussed on key high value genres, and continues to strengthen this portfolio through targeted acquisition and improved ownership position so as to enable better value generation from respective IP catalogues.