



BBC World Service

Report by the Comptroller and Auditor General
presented to the BBC Trust Value for Money Committee,
14 June 2016



National Audit Office

BRITISH BROADCASTING CORPORATION

BBC World Service

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Auditor General presented to the
BBC Trust Value for Money Committee,
14 June 2016**

*Presented to Parliament by the Secretary of
State for Culture, Media & Sport
by Command of Her Majesty
June 2016*

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BBC Trust response to the National Audit Office value for money review: BBC World Service

BBC Trust response

As the governing body of the BBC, the Trust is responsible for ensuring that the licence fee is spent efficiently and effectively. Value-for-money reviews like this one are an integral part of the governance framework through which the Trust fulfils this responsibility.

The BBC Trust welcomes the National Audit Office's conclusion that, through its transformation programme, the BBC World Service has delivered value for money

Kofi Annan described the World Service as "perhaps Britain's greatest gift to the world" in the twentieth century. Since 1932 the Service has been broadcasting around the world, projecting the BBC's core values in the form of accurate, independent, and impartial news and current affairs. The audience has evolved as the provision of impartial news has changed in local markets and the World Service now has an estimated audience of 246 million people, which is growing year on year across Africa, the Middle East, and Asia.

In the four years to 2014-15 the government cut core funding to the World Service by around 8% and, in response, the World Service reduced its annual expenditure by £46.8 million. Two thirds of these savings (almost £31 million) have been achieved through greater efficiency and without an impact on audiences. For example, better integration with the BBC newsroom at Broadcasting House has created a richer experience for both domestic and international audiences while also saving money. The Service has used some of the savings to transform itself from a primarily radio-based operation to a multi-media broadcaster investing in online and mobile services and television news partnerships. This has enabled it to meet the challenges of changing technology and consumer behaviour and increased competition around the world.

Some savings have also been achieved through closing a small number of language services delivered through short-wave radio programmes, and reducing the scale of others. Decisions to close language services are complex, and involve trading off a number of judgements such as the lack of impartial news in specific areas, the World Service's ability to fill such gaps, and the likely cost of doing so. The Trust agrees with the NAO that the BBC could be clearer about how each of these different judgements contribute to the overall decision when recommending which language services to provide.

On average, the service reached an estimated 246 million people each week in 2015-16

Measuring the global audience of a service that is provided in 29 languages, across multiple platforms – and sometimes in hostile political environments – is a challenge.

The Trust is pleased that the NAO has recognised these difficulties, and found that the World Service makes a proportionate attempt to estimate the number of users it attracts. The Trust agrees however that more could be done to ensure that users of this figure are familiar with the inevitable limitations in the methodology used. To this end, it is helpful to note that in April 2016 the BBC published the standard error margin associated with the surveys supporting the global audience measure for the first time.

The Trust and the Foreign and Commonwealth Office agree targets for the World Service and in 2013 the Trust set the World Service a headline global audience target of 200 million people. This target was consistent with forecasts for global audiences at the time, and it is a testament to the quality of the World Service's programming that the target has been achieved two years ahead of schedule.

As set out in the NAO's report, the World Service has a range of objectives, priorities and targets. In setting these targets it is necessary to balance reach targets with other key objectives such as accuracy, impartiality and distinctiveness. We agree with the NAO that it is also important to ensure that appropriate arrangements are in place to ensure that performance targets continue to be set at the right level to maintain performance incentives.

Continued independence of the World Service from government and politicians is vital

Around the globe, the World Service is consistently rated as the most trusted international news provider.

As in the UK, global audiences trust the BBC to report the news accurately, impartially, and without fear or favour. The BBC can only do this if it is independent, and seen to be independent, of both government and politicians.

The BBC Trust is in discussions with the Foreign and Commonwealth Office over how the performance of new language services funded by the government should be measured. As these discussions proceed, it will be vital to ensure that this reporting mechanism supports rather than diminishes the BBC's ability to report the news accurately and without bias.

BBC's Executive response to the National Audit Office's value for money review of BBC World Service

BBC Executive response

The BBC welcomes this report which recognises the tremendous achievements of the BBC World Service since 2010 in a context of significant budget cuts, greater global competition, increased needs for free and independent news and fast-moving changes in technology and the way audiences consume media.

The NAO notes that, despite these many challenges, the BBC World Service has generated significant savings through increased efficiency, invested in new services and significantly increased its audience reach.

Indeed, as stated by the NAO, BBC World Service has delivered value for money through this transformation.

This puts the BBC World Service in a very strong position to make the most efficient use of the additional funding granted by the Foreign and Commonwealth Office for the next four years and allow it to provide accurate, impartial and independent news to more audiences around the world.

The BBC will consider how best to implement the NAO recommendations.

- **Review of targets:** It is right that targets are set as a means to incentivise and measure performance and ensure value for money. There can, however, be fluctuations in performance year on year because of specific issues relating to individual countries in which we operate. Having multi-year targets to assess overall performance is therefore most appropriate, though we agree there should be a clear process for periodic review to ensure they remain relevant, particularly given the degree of change in the media world.
- **Performance reporting:** We welcome the recognition of the quality of our performance reporting despite the many challenges we face. Audience reach and appreciation are the standard measures used by international broadcasters as they are considered as the most significant and robust. Indeed, this enables the BBC World Service to assess how well it performs compared with other providers. These two metrics will therefore remain core to the way we assess and report our performance. However, we will consider what further performance information can be reported in a cost effective way.

- **Publication of our methodology:**
The methodology we use to calculate our audience figures is robust. Indeed, we rely on the combination of various measurement approaches: ratings data (ie equivalents of BARB/RAJAR in other markets), social and digital analytics data, and our own surveys in markets, often undertaken jointly with other international broadcasters. Each of these approaches uses the most rigorous and robust techniques available in the world. The objective is to provide as accurate a picture as possible of the BBC World Service's audiences in every country around the world, whilst recognising that there are countries where the measures cannot be as good as in more developed markets. In any event, we take a conservative approach in aggregating the various data sources to calculate actual audience numbers. We have already published extensive information on this methodology, but remain committed to transparency and will consider what further detail we could disclose.
- **Assessment of cost-effectiveness:**
as recognised by the NAO, the World Service has delivered value for money. However, our purpose is to provide free and impartial information to audiences around the world, and in some countries of particular audience need the cost of reaching audiences can be very high. Whilst we must take cost per user metrics into account, it cannot be the main criterion to decide where we prioritise our resources. We take efficiency incredibly seriously and always seek to deliver our services as cost effectively as possible in each market. However, we accept that we could record better how we use this measure in our strategic planning.



National Audit Office

British Broadcasting Corporation

BBC World Service

Report by the Comptroller and Auditor General

This report has been prepared under Clause 79 of the Broadcasting Agreement, as amended, between the Secretary of State for Culture, Media & Sport and the BBC dated July 2006

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

7 June 2016

This report examines whether the BBC World Service is meeting its plans to change significantly its services, operations and costs while managing the impact on current and future performance.

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Key facts

£254m

BBC World Service
expenditure in 2014-15

1,518

BBC World Service staff
in 2014-15

246m

estimated average
weekly audience
for 2015-16

£60.5 million target reduction in annual expenditure by 2016-17, compared to a 2010-11 baseline

£46.8 million reduction in annual expenditure by 2014-15, compared to a 2010-11 baseline, in line with its milestone target

£27 million one-off cost to 2014-15 of reducing expenditure

630 number of posts closed from 2010-11 to 2014-15

5 number of language services closed in 2010-11

1 number of language services opened since 2010-11

3 number of languages available via television in March 2010

15 number of languages available via television in May 2016

Summary

Introduction

1 The BBC World Service (the Service) is an international broadcasting service run by the BBC. It provides radio, television and online services in 29 languages to an estimated global audience of 246 million adults. Its main audiences are in Africa, the Middle East and Asia. In 2014-15 it spent £254 million and employed 1,518 staff. Around 35% of its staff are based overseas, with most of the rest co-located with other BBC News Group departments in New Broadcasting House in London.

2 The World Service is established under the same Royal Charter as the BBC's UK services. The BBC's Executive Board is accountable to the BBC Trust for the Service's performance. The Foreign Secretary agrees, jointly with the BBC Trust, the Service's objectives, priorities and targets, although editorial control rests entirely with the BBC. The Service cannot open a new language service or close an existing one without the approval of the BBC Trust and Foreign Secretary.

3 The Service is facing several strategic challenges. Until recently, it broadcast mainly on radio. However, changes in technology and consumer behaviour have contributed to a long-term decline in demand for short-wave radio as audiences increasingly use online, FM radio and television news services. The Service is facing increased competition from other international and local broadcasters as international media markets develop.

4 The Service has also had to respond to financial pressures and to changes in how it is funded. In October 2010, the government announced that it was reducing the Service's revenue funding by 16% and its capital funding by 52% over the period 2011-12 to 2016-17. In addition, the government announced that funding from the Foreign & Commonwealth Office (FCO), which had formed the main source of the Service's income, would cease in April 2014; instead, the Service would be funded mainly from television licence fee income.

5 In November 2015, the government announced that it would make £289 million available to the Service from 2016-17 to 2019-20. This new funding is additional to the funding the Service receives from the licence fee. In May 2016, the government announced its intention to ensure that the BBC protected the licence fee funding for the Service at £254 million a year for the five years from 2017-18.

6 In response to the competitive pressures it faced and the funding reductions announced in October 2010, the Service set out to transform itself from a mainly radio-based operation to a multi-media broadcaster, while at the same time seeking to reduce its costs.

Scope and approach

7 This report examines the Service's performance since 2010 in responding to the challenges it faces. We examine:

- the Service's progress in reducing expenditure, its investment in new delivery platforms, such as digital and television, and how it prioritises services for development (Part Two); and
- the Service's reported performance, its approach to target-setting and measuring performance, and its wider benefits for the UK (Part Three).

Key findings

Delivering change

8 The Service has used savings generated since 2010 to invest in new digital and television services. As at May 2016, all 29 language services were available across a larger number of digital platforms than in 2010. The Service had increased the number available on television from 3 to 15. Its expansion into television has taken the form of the provision of news bulletins and individual programmes delivered by partners, rather than opening its own new television channels. As at May 2016, it was planning to expand and enhance its services using the funding of £289 million announced by the government in November 2015 (paragraphs 2.14 to 2.16).

9 The Service has successfully reduced its expenditure at a lower cost than expected. Our analysis of financial data indicates that, by 2014-15, the Service had reduced its annual expenditure by £46.8 million, compared to a baseline set in December 2010. This was in line with its milestone target of £46.7 million. The Service has plans in place to achieve annual savings of £59.6 million by 2016-17. This is lower than the savings target identified in December 2010 as the Service received some extra funding subsequently. One-off implementation costs were £27 million by the end of 2014-15, 40% lower than its original estimate for that date of £45 million. The latest estimate of its implementation costs to 2016-17 is £31 million, 42% below its original estimate of £53 million (paragraphs 2.2, 2.3 and 2.7).

10 The one-off costs of reducing expenditure were lower than expected as the Service made fewer staff redundant than planned. The Service originally planned to close 650 posts to the end of 2013-14 out of a workforce in 2010-11 of 2,570. By March 2015, it had closed 630 posts, with more staff than expected leaving without taking redundancy and significant numbers being redeployed elsewhere in the BBC. The Service plans to close a further 105 posts by March 2017 (paragraph 2.4).

11 The Service reduced expenditure through increased efficiency arising from the introduction of new ways of working and closer integration, and through a reduction in services.

- Almost £31 million of savings, 66% of the total up to the end of 2014-15, resulted from improvements to the Service's efficiency, although no specific efficiency targets were set at the start of the spending reduction programme. Its move into New Broadcasting House in early 2012 and the switch to licence fee funding from 2014-15 enabled the Service to introduce new ways of working and to integrate more closely with BBC News (paragraphs 2.6 and 2.8 to 2.10).
- In addition to other savings measures, the Service closed five foreign-language services completely and stopped all radio broadcasts for a further seven. Savings from reducing services to the end of 2014-15 were almost £16 million, 34% of the total delivered up to the end of 2014-15. However, as more funding was made available to the Service over time, it scaled back its plans to close services. For example, although it initially planned to stop short-wave radio programmes for all but five language services by the end of 2014-15, it was still broadcasting in short wave for 16 languages by this date. As at May 2016, it had no plans for further closures (paragraphs 2.11 and 2.12).

12 It is not clear how the Service has taken cost-effectiveness into account when recommending language services for opening or closure. Although the Service's stated criteria for recommending which language services it should provide included cost-effectiveness, such recommendations have been driven primarily by the Service's assessment of the strategic importance of the countries involved and their need for independent, impartial news. It is unclear how the Service took account of cost-effectiveness when recommending which language services to provide. In November 2014, the Service defined a cost-effective language as one that did not cost more than 30% of the average cost per user for similar services on similar platforms. Exceeding such a threshold does not necessarily mean that a service should not be provided. However, our analysis shows that nine language services exceeded this threshold (paragraphs 2.20 and 2.21).

Reporting performance

13 The Service estimates that its total annual audience has increased from 166 million in 2010-11 to 246 million in 2015-16, exceeding its forecasts.

The Service predicted significant reductions in its audiences in forecasts it prepared in 2011 and 2012. Actual audiences have been higher as the Service has invested more in digital and television services than it originally expected, and it has cut back on the reductions it planned for short-wave radio. The Service does not, however, report on the audience reach it achieves as a share of population, either globally or for each of its language services. It also has a smaller global footprint than it had previously due to the reduction in the number of language services (paragraphs 3.2, 3.3 and 3.7, and Figure 5).

14 The Service has made a proportionate attempt to estimate the size of its audience. Given the Service's international coverage, obtaining the data needed to estimate its audience figure can be difficult. The Service therefore obtains data from a variety of sources, including approximately 15 new audience surveys a year, on average. Most of the survey data used to estimate the audience figure in 2014-15 were reasonably up-to-date, but 10% of the data were between 5 and 10 years old. Also, because of local circumstances, there are always likely to be countries where data will not be available for television and radio audiences (paragraphs 3.11 and 3.12).

15 The Service could report more fully on the level of uncertainty of its estimated audience figure. The compilation of the audience figure involves a number of adjustments by the Service to the data collected; for example, to guard against double-counting those who consume its output on more than one platform and to only count users who actively engage with its social media content. Year-on-year changes to the figure can reflect not only changes in performance but also changes to what is included and refinements to the methodologies used to compile the total. When reporting the audience figure, the Service does not currently publish full details of how it produces the figure, the age profile of the underlying data, or the estimated uncertainty attached to the total figure (paragraphs 3.13 and 3.14).

16 The Service's audience targets for 2016-17 were set at or below the Service's forecast levels, and two of three had been achieved by 2014-15. In 2013, the BBC Trust and FCO jointly approved three high-level audience targets for the Service for a three-year period. The target for the Service's estimated weekly global audience was set equal to the audience forecast of 200 million by 2016-17. The Service achieved an estimated audience of 210 million in 2014-15. Individual targets for television and digital audiences were set below their respective forecasts because the BBC Trust wanted to give the Service operational flexibility to decide how best to meet the overall audience target across different platforms. The target for television was achieved by 2014-15, and the target for digital audiences by 2015-16. Although two targets were met after the first year of a three-year period, and all three after the second year, the targets have not been formally reviewed to consider whether they should be amended. New targets will be agreed as part of the new operating licence under the new Charter (paragraphs 3.2 and 3.8 to 3.10).

17 The Service has reported that it has met its targets on audience satisfaction, but the data it uses for this does not relate specifically to the Service. The Service has reported that, in 2013-14 and 2014-15, it had met its targets of achieving higher ratings than its international competitors for 'most trusted international news provider' and 'helps to keep me informed'. The results are based on data collected for BBC News as a whole. The BBC does not collect audience satisfaction data specifically for the Service as it considers that its overseas audiences tend not to differentiate between its different overseas brands. However, the 2014-15 survey over-represented European countries when considered against the Service's overall audience. As the BBC continues to integrate its news services, it will become increasingly challenging for it to identify the performance of specific services (paragraphs 3.4, 3.15 and 3.16).

18 The FCO has not confirmed how it will assess the impact of the additional funding of £289 million. The government announced this funding on the basis that, as a provider of accurate, impartial and independent news, the Service helps to strengthen democratic accountability and governance, and promote Britain and its values around the world. As at May 2016, the FCO had not confirmed how it would assess the impact of the extra funding (paragraph 3.18).

Conclusion on value for money

19 The World Service has successfully delivered much of what it set out to do back in 2010: it has invested in new digital and television services, integrated its services more closely with the rest of the BBC, and, in so doing, delivered efficiencies, and achieved an estimated audience of 246 million in 2015-16. In addition, one-off implementation costs have been lower than expected as the Service has made fewer staff redundant than planned, even though it had closed five foreign-language services and 630 posts by March 2015.

20 This transformation has delivered value for money, but there is scope to improve the approach to target setting and performance reporting. Targets have been set at or below forecast levels, and not reviewed when they have been exceeded. The Service could be clearer about the methods and uncertainty associated with the two key approaches it uses – on audience size and satisfaction – to report on its performance, and report publicly on a broader range of measures, and in more depth.

Recommendations

- a** **There is scope to improve the approach to target-setting and performance reporting.** The Service's audience targets were set at or below the Service's forecast levels, and the range of measures used to report on Service performance is limited to the estimated size of its global audience and audience satisfaction with BBC News.
- The BBC and FCO should provide for an arrangement to review targets, in order to maintain performance incentives while also recognising any relevant external factors that might impact on performance.
 - The BBC should report a broader range of measures on the Service's performance.
- b** **The Service should set out, alongside its published performance figures, a fuller explanation of how its figures are compiled, and the associated levels of uncertainty attached to them.** In compiling its global audience figure the Service does not currently publish full details of how it produces the figure, the age profile of the underlying data, or the estimated uncertainty attached to the total figure.
- c** **The Service should explicitly assess services against all its chosen criteria, including its cost-effectiveness criterion, when identifying which services to provide.** It was unclear how the Service took account of cost-effectiveness, relative to other criteria, when recommending which language services to open or close.
- d** **The FCO should identify how it will assess the impact of the £289 million new funding which was announced for the purposes of strengthening democratic accountability and governance, and promoting Britain and its values around the world.** As of May 2016, it had not confirmed this.

Part One

Background

1.1 The BBC World Service (the Service) is an international broadcasting service run by the BBC. It provides radio, television and online services in 29 languages to an estimated global audience of 246 million adults. Its objectives are to:

- provide an accurate, impartial and independent news service covering international and national developments;
- be the most trusted international news provider in the world;
- provide inspiring and engaging programmes and content that help its audiences understand the world and their place in it; and
- reflect the UK's people, cultures and national life.

1.2 The Service's main audiences are in Africa, the Middle East and Asia (**Figure 1** overleaf). The areas where it has least coverage are South America, where historically the Service's audiences have been low, and Europe. The Service stopped most of its broadcasts to Western Europe in the 1950s and Eastern Europe in the 2000s.

1.3 The Service spent £254 million in 2014-15 (**Figure 2** on page 13). Until April 2014, it was funded by grant-in-aid from the Foreign & Commonwealth Office (FCO). In April 2014, responsibility for its funding transferred to the BBC, with the Service funded mainly by television licence fee income. This change in funding arrangements was agreed in 2010, as part of a new licence fee settlement between the Department for Culture, Media & Sport and the BBC.

1.4 In November 2015, the government announced in its *National Security Strategy and Strategic Defence and Security Review* that it would invest £289 million in the Service from 2016-17 to 2019-20.¹ This is additional to the funding that the BBC makes available to the Service from the licence fee. In May 2016 the government announced its intention to ensure that the BBC protected the licence fee funding for the Service at £254 million a year for the five years from 2017-18.²

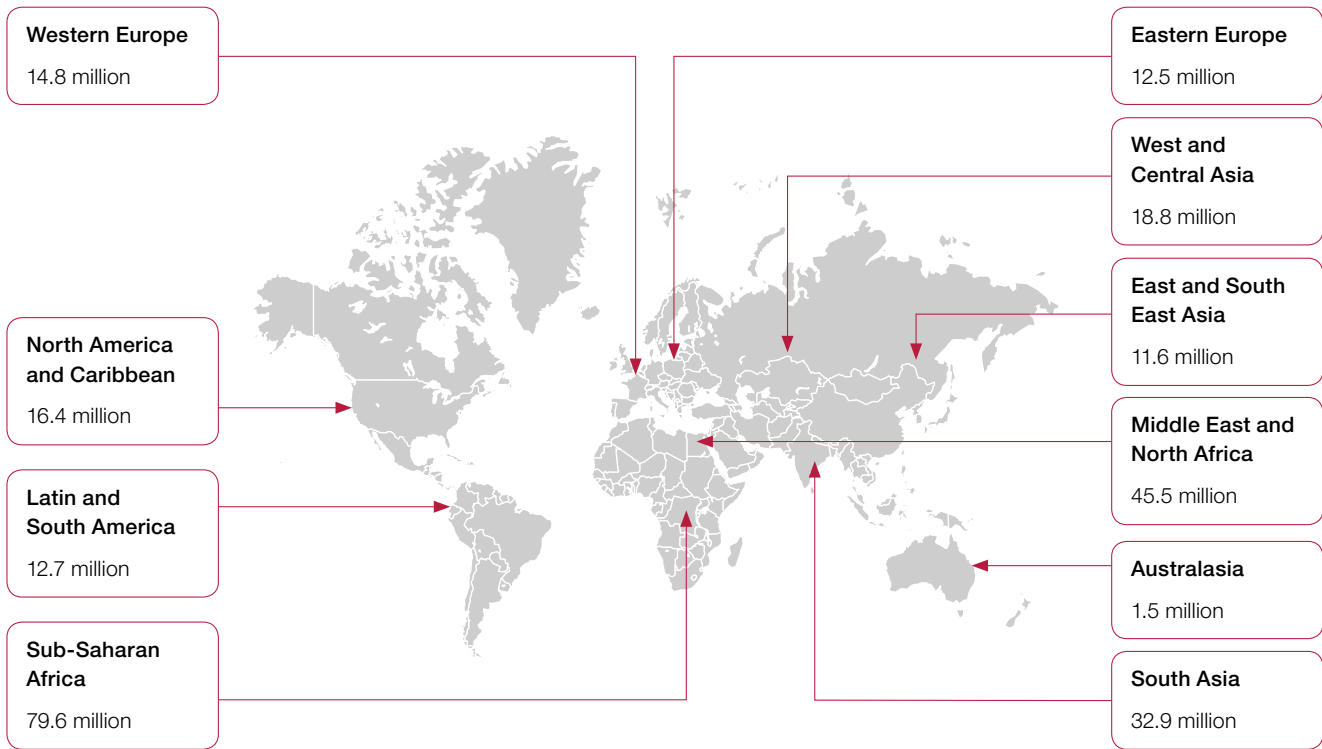
¹ HM Government, *National Security Strategy and Strategic Defence and Security Review 2015*, Cm 9161, November 2015.

² HM Government, *A BBC for the future*, Cm 9242, May 2016.

Figure 1
Location of World Service audiences

The Service's main audiences are in Africa, the Middle East and Asia

Service audience by region (2015-16)

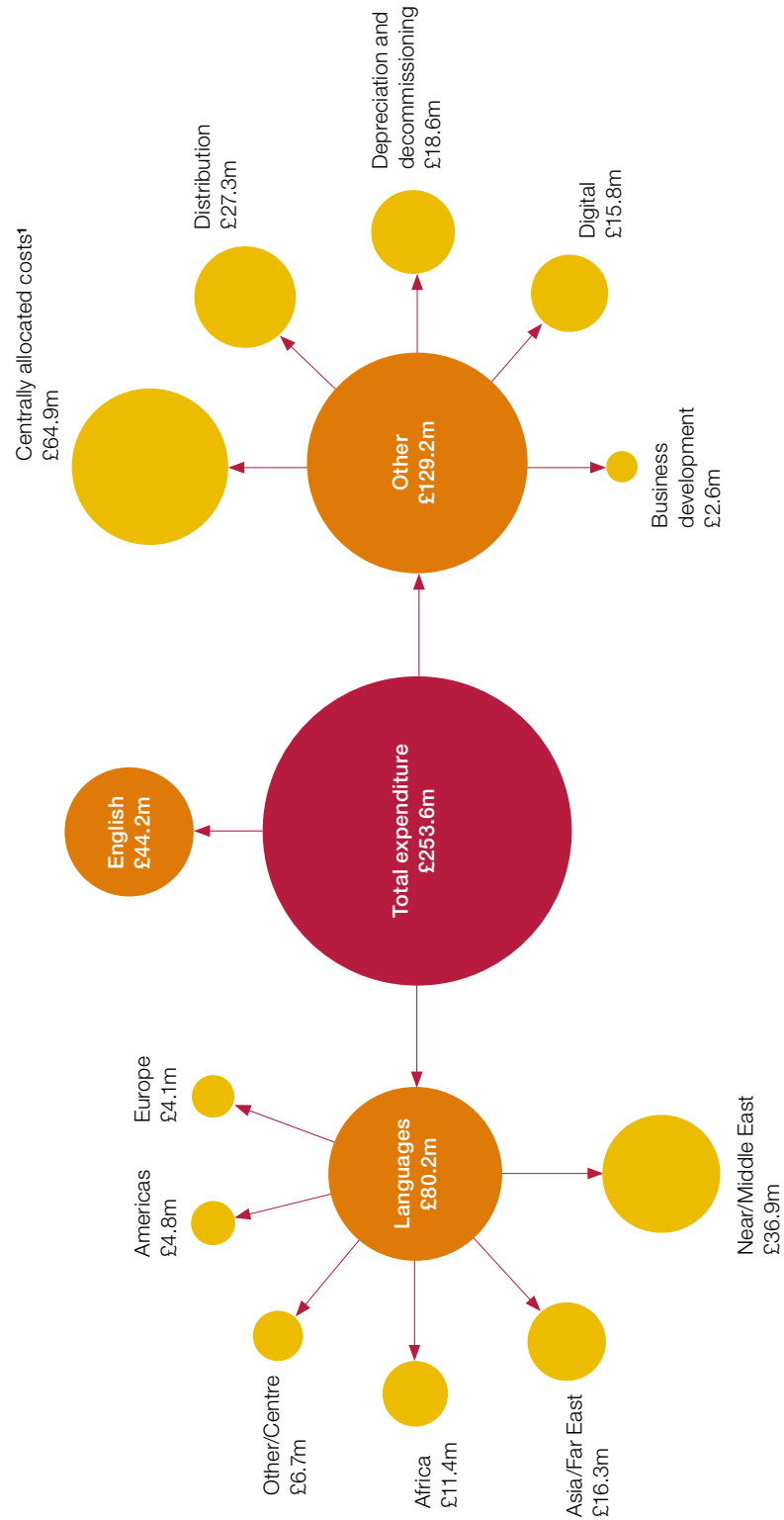


Top ten markets by weekly reach (all platforms, 2015-16)

Nigeria	26.9 million
India	15.4 million
United States of America	13.8 million
Iran	12.3 million
Pakistan	11.6 million
Egypt	10.4 million
Tanzania	9.9 million
Brazil	7.1 million
Afghanistan	6.6 million
Congo	6.3 million

Source: BBC World Service

Figure 2
Where the World Service planned to spend its money in 2014-15



Notes

- 1 Centrally allocated costs includes items such as accommodation costs, centrally based content and production costs, including news gathering, and contributions to the pension deficit.
- 2 The analysis above is based on the Service's budgeted figures for 2014-15 as a full breakdown of outturn figures was not available at the time of our fieldwork.

Source: National Audit Office analysis of BBC World Service data

1.5 Previously situated in its own premises in Bush House, since 2012 the Service has been co-located with other BBC News Group departments in New Broadcasting House in London, where most of its programmes are produced. It has 44 offices overseas, with staff or freelancers based in another 71 locations across the world. Around 35% of the 1,518 full-time equivalent staff that it employed in 2014-15 were based overseas.

Organisation and governance

1.6 The Service is established under the same Royal Charter as the BBC’s UK services, and contributes to the same public purposes. The agreement between the BBC and the Secretary of State for Culture, Media & Sport requires the BBC to provide a World Service to users outside the UK in languages that are approved by the Foreign Secretary. The Service cannot open a new language service or close an existing one without the approval of the BBC Trust and Foreign Secretary. The Foreign Secretary also agrees, jointly with the BBC Trust, the Service’s objectives, priorities and targets (**Figure 3**). Editorial control rests entirely with the BBC.

Figure 3
The World Service’s objectives, priorities and targets, April 2014 to December 2016

Objectives	Priorities	Targets
To provide an accurate, impartial and independent news service covering international and national developments.	Maximise the reach of all services in the specified target markets, subject to value for money and affordability, while delivering its objectives.	To rate higher than its international competitors for ‘helps to keep me informed’.
To be the most trusted international news provider in the world.	Sustain and increase its reputation as the most trusted international news provider in the world.	To rate higher than its international competitors for ‘most trusted international news provider’.
To provide inspiring and engaging programmes and content that help its audiences understand the world and their place in it.	Ensure that its services adapt to changing audience behaviours, while providing a distinctive service tailored to audiences’ needs.	To reach an estimated weekly global audience of at least 200 million adults across all platforms, including its core radio service.
		To reach 60 million weekly viewers to its television services.
		To reach 25 million weekly users to its online content.

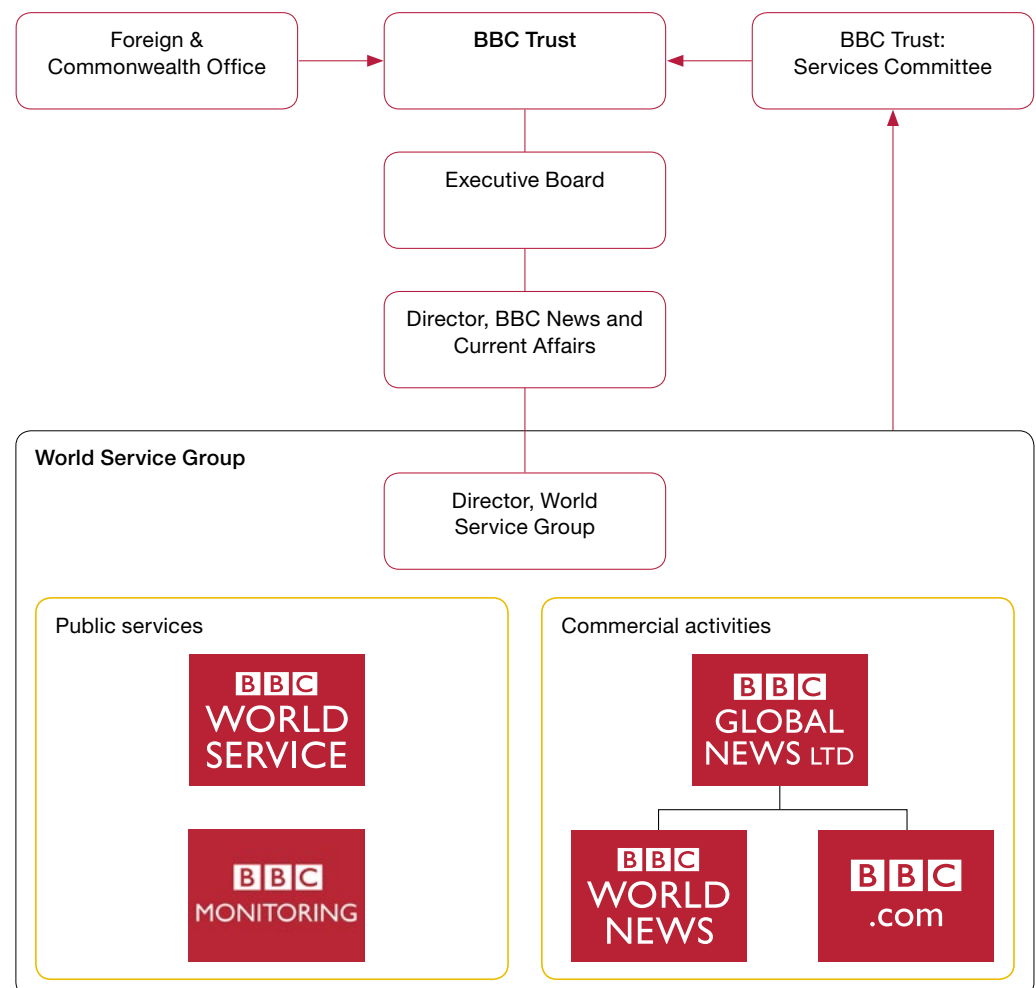
Source: BBC World Service operating licence

1.7 The BBC's Executive Board is accountable to the BBC Trust for meeting the Service's targets and ensuring it achieves value for money. From April 2014 the Service has been part of World Service Group, itself part of BBC News Group (**Figure 4**). The Executive Board has overall accountability for the performance of the Service, which it has then devolved to the Head of BBC News Group – the Director, BBC News and Current Affairs. News Group's Deputy Director is responsible for leading World Service Group, but does not sit on the BBC's Executive Board.

Figure 4

The World Service's governance

The Service is part of the BBC's World Service Group



Notes

- 1 BBC Monitoring analyses freely available media sources around the world to produce news and information for the BBC and external customers, including commercial clients, non-governmental organisations and universities, and the UK government.
- 2 BBC World News is the BBC's commercially funded international news and current affairs television channel. It is owned and operated by BBC Global News Limited, part of the BBC's commercial group of companies.

Source: National Audit Office

Strategic challenges

1.8 Until relatively recently, the Service broadcast mainly on radio. However, changes in technology and consumer behaviour have contributed to a long-term decline in demand for short-wave radio stations, as audiences increasingly use online, FM radio and television news services.³

1.9 The Service is also facing increased competition from other international broadcasters. China Central TV broadcasts five foreign-language channels across the world – English, French, Spanish, Arabic and Russian, the last two of which opened in 2009. Russia Today has opened five foreign-language news channels (Arabic, English, French, German and Spanish) in the 2000s. The Service is also facing increasing competition from local broadcasters; for example, the number of local broadcasters in Afghanistan had grown to over 170 radio and 80 terrestrial television stations by 2014.

1.10 If the Service fails to meet the challenges of changing technology and consumer behaviour and increased competition, it risks losing its audience to its competitors. The Service has therefore sought to respond to these challenges by transforming itself from a primarily radio-based operation to a multi-media broadcaster, reducing its provision of short-wave radio services, investing more in online and television services, and increasing its distribution via FM radio partners (**Figure 5**).

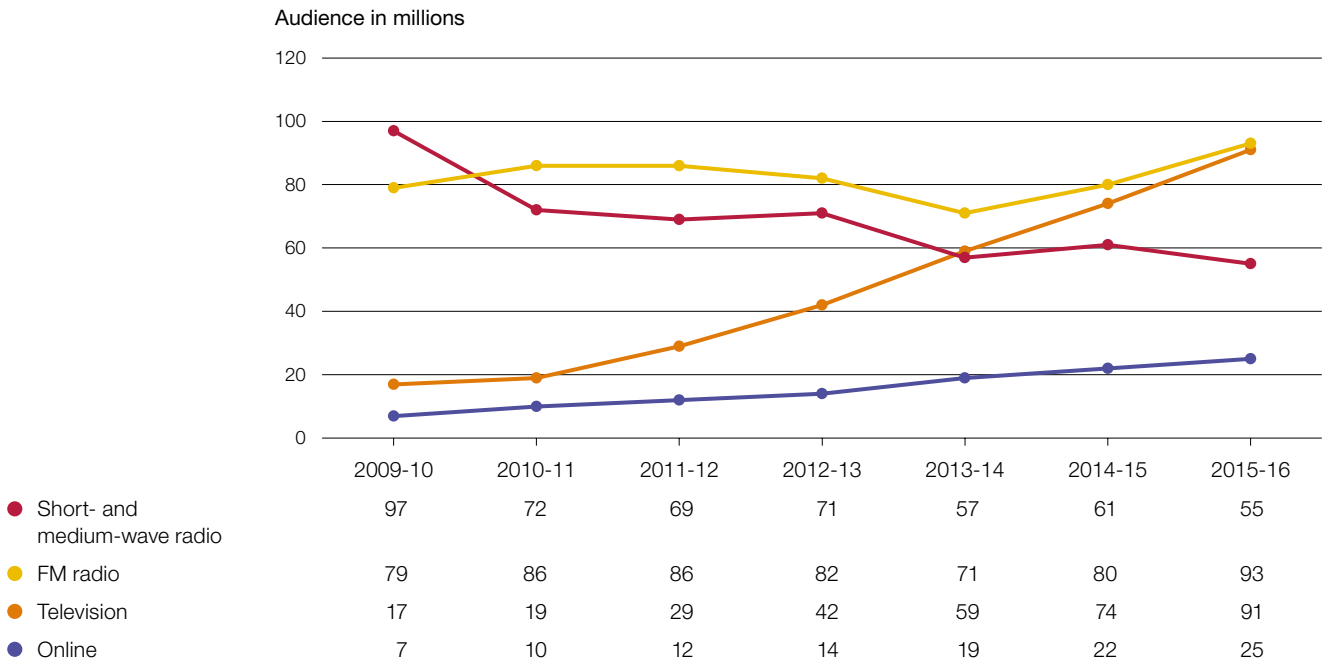
1.11 The Service has also had to respond to financial pressures. In October 2010, the government announced that it was reducing the Service's revenue funding by 16% and its capital funding by 52% over the period 2011-12 to 2016-17. In response, the Service announced that it would close five language services and stop radio broadcasts for others.⁴

3 Short-wave and medium-wave transmissions are used for long distance communication and generally use radio frequencies between 0.5 and 1.6 Megahertz (medium-wave) and 4 and 21 Megahertz (short-wave). FM radio is broadcast between 87.5 and 108 Megahertz; it is capable of better sound quality but only offers local coverage.

4 The five language services that have closed are: Albanian, English for the Caribbean, Macedonian, Portuguese for Africa, and Serbian.

Figure 5
World Service’s annual audience figures

The Service’s estimated audience has reduced for short- and medium-wave radio, but increased for FM radio, television and online services



Note

1 The reduction in estimated audience figures for short- and medium-wave radio reflects both long-term changes in audience behaviour and the Service’s reduction in its provision of these radio services.

Source: National Audit Office analysis of BBC World Service data

Part Two

Delivering change

2.1 This Part examines:

- the BBC World Service's (the Service's) progress in reducing expenditure, through increased efficiency and reductions in its services;
- its investment in new delivery platforms; and
- how it prioritises services for development, including their opening and closing.

Reducing expenditure

2.2 In December 2010 the BBC Trust approved a six-year plan developed by the Service to deliver annual savings of £65.8 million by 2016-17, with implementation costs of £53 million. This was in response to the funding reductions that the government announced in October 2010 (paragraph 1.11). The Service subsequently reduced its savings target after receiving extra funding (**Figure 6**) and after reductions in the estimated implementation costs. Its latest target, set in June 2014, is to achieve annual savings of £60.5 million by 2016-17 (**Figure 7** on page 20).

2.3 Our analysis of financial data indicates that, by 2014-15, the Service had achieved annual savings of £46.8 million, in line with its milestone target of £46.7 million. One-off implementation costs were £27 million by the end of 2014-15, 40% lower than its December 2010 estimate for that date of £45 million. The latest estimate of its implementation costs to 2016-17 is £31 million, 42% below the December 2010 estimate of £53 million.

2.4 Implementation costs were lower because the Service closed fewer posts and made fewer staff redundant than planned. The Service originally planned to close 650 posts to the end of 2013-14 across the Service and the BBC out of a budgeted workforce for 2010-11 of 2,570.⁵ By March 2015, it had closed 630 posts, reducing the number of staff it employed to 1,518. This was 25% less than the 2,017 staff in post at March 2010 (**Figure 8** on page 21). In addition, more staff than expected left without taking redundancy and significant numbers were redeployed elsewhere in the BBC. The Service plans to close a further 105 posts by March 2017.

⁵ Composed of 2,110 budgeted posts employed by the Service and 460 budgeted posts in other parts of the BBC producing output for the Service.

Figure 6

The World Service's income

The Service's income has fallen since 2010-11

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	(£m)	Grant funded (£m)	(£m)	(£m)	Licence fee funded (£m)	(£m)	(£m)
2010 Spending Review settlement							
Revenue	235	231	226	222	212		
Capital	31	22	16	16	15		
Total core funding	266	253	242	238	227		
Six-year plan (December 2010)							
Revenue		231	226	222	225	230	235
Capital		22	16	16	20	20	20
Total core funding	262.5	253	242	238	245 ¹	250 ¹	255 ¹
Restructuring assistance	0	9 ²	3 ²	8 ²	7	1	0
Commercial income	0	0	1	3	3	3	3
Total funding	262.5	262	246	249	255	254	258
Forecast outturn (January 2016)							
Revenue	237.6	233.2 ⁴	228.2 ⁴	224.2 ⁴			
Capital	24.9	22	16	16			
Total core funding	262.5	255.2	244.2	240.2	245 ¹	246.5 ¹	250 ¹
Restructuring assistance	3.0 ³	0 ⁵	1.5 ⁵	5 ⁵	4	0	0
Other	4.6	4.6	7.8	4.7	6.1	7.5	8.1
Total funding	270.1	259.8	253.5	249.9	255.1	254	258.1

Notes

- 1 In December 2010, the BBC Trust committed to fund the Service each year from 2014-15 to 2016-17 at a higher level than in 2013-14, the last year the Service received grant funding from the FCO. It therefore identified indicative funding figures for these years. Subsequently, it included lower amounts than these indicative figures in its budgets, while still meeting the original commitment.
- 2 The 2010 Spending Review settlement contained no financial assistance towards the upfront costs of restructuring. Therefore, in January 2011 the BBC Trust made up to £20 million available from the licence fee from 2011-12 to 2013-14 to help with these costs.
- 3 In March 2011 the FCO gave the Service an extra £3 million towards the upfront costs of restructuring.
- 4 In June 2011 the FCO announced that it would give the Service additional funding of £6.6 million from 2011-12 to 2013-14. This was for the Service to use to mitigate the impact of the earlier funding reductions by temporarily halting some of the changes proposed. In the same month, the Service announced that, due to lower than expected restructuring costs, it would be using £9 million of its existing funding over the same period for the same purpose.
- 5 As restructuring costs were lower than originally estimated, the Service only drew on £6.5 million of the £20 million made available to it from the licence fee.

Source: National Audit Office analysis of BBC World Service data

Figure 7

The World Service's spending reduction targets

The Service has changed its spending reduction targets over time

Targets	2011-12 (£m)	2012-13 (£m)	2013-14 (£m)	2014-15 (£m)	2015-16 (£m)	2016-17 (£m)
December 2010						
The Service's six-year plan for reducing expenditure; first tranche of savings measures announced in January 2011	19.0	34.2	48.6	55.8	60.8	65.8
November 2011						
Update of six-year plan to reflect extra funding made available in 2011 (Figure 6) and lower restructuring costs; second tranche of measures announced	16.4	29.6	42.4	48.6	53.2	58.6
June 2012						
Revision of target to reflect lower redundancy and pension deficit payments	16.4	29.2	41.2	46.7	51.7	56.7
October 2013						
Update of six-year plan, focusing on third tranche of measures to be implemented in 2014-15 to 2016-17	16.4	29.2	41.2	46.7	51.7	56.7
June 2014						
Increase in the target due to BBC management reducing planned increases in funding for 2015-16 and 2016-17 (Note 1 to Figure 6); fourth tranche of measures identified	16.4	29.2	41.2	46.7	53.6	60.5
Latest estimated outturn	16.4	29.3	41.3	46.8	53.1	59.6

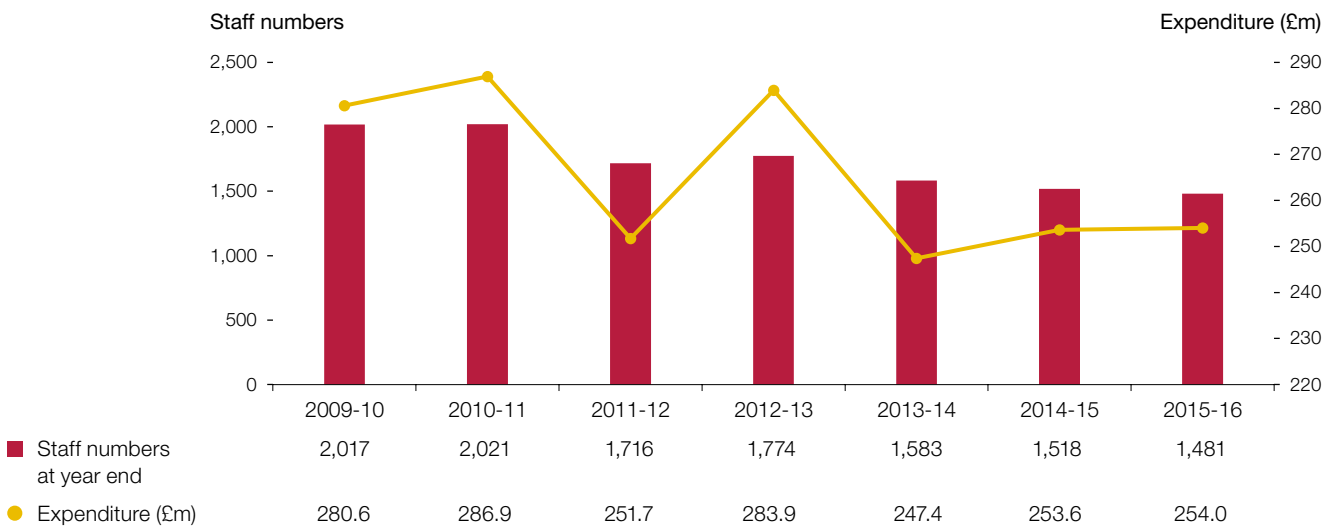
Note

1 The above figures show the reduction in spending required in each financial year against the baseline in 2010-11, adjusted for future inflation and specific cost pressures, such as service development and pension contributions. All figures are at cash.

Source: National Audit Office analysis of BBC World Service data

Figure 8
The World Service's expenditure and staff numbers

The Service has reduced its expenditure and staff numbers



Notes

- 1 Expenditure increased in 2012-13 as the Service made provisions for the future costs of decommissioning transmitter sites and for accelerated depreciation in respect of these sites.
- 2 In 2012-13, staff numbers increased as the Service invested in new television programmes. In 2013-14 about 200 Service studio managers moved to news production operations.

Source: National Audit Office analysis of BBC World Service data

2.5 The December 2010 plan (paragraph 2.2) set out how Service expected to operate once the plan had been implemented (**Figure 9** overleaf). The plan included three key components for this:

- achieving efficiencies by improving production methods and integrating its operations with BBC News;
- reducing the scope and scale of some of its services, including substantially reducing short-wave radio services, and closing some services completely; and
- investing in online and mobile services, and, when affordable, television news partnerships.

Figure 9

The World Service's Destination Model

In its December 2010 six-year plan the Service identified how it expected to operate once the plan had been implemented fully

The Service should:

- continue to be the world's best-known and most trusted news broadcaster;
- offer a uniquely global editorial agenda, bringing the BBC's distinctive expertise, perspective and content to the largest worldwide audience of any international news provider;
- comprise tight groups of multi-media journalists, working in genre-based and/or regionally defined clusters, with English and language service journalists working together to deliver a multi-lingual multi-media offer;
- work flexibly across platforms, with most programmes and brands having a presence on more than one medium;
- have geographic centres of expertise, with particular focus on South Asia, East Asia, Latin America and Brazil, the Middle East, sub-Saharan Africa, and Russia and its near abroad;
- work with a network of partners, re-broadcasters and distributors to ensure that BBC news is available where it is most easily accessed by worldwide audiences;
- retain key 'lifeline' services in information-poor societies (eg Somalia, Burma, Afghanistan); and
- be primarily funded by the licence fee from 2014-15, but with commercial income being an important, complementary part, and operate as a single unit with commercially funded English television and online services.

Source: BBC World Service

2.6 The plan did not, however, identify the extent to which efficiencies and scope reductions would each contribute to the original £65.8 million savings target. Instead, the Service adopted a phased approach to delivering these savings whereby it announced savings measures in tranches as the spending reduction programme progressed. This approach allowed the Service to decide on the exact mix of efficiency and scope reduction measures in each tranche based on the progress it had made to date in reducing expenditure and in light of latest developments.

2.7 To ensure that it delivered the required spending reductions by 2016-17, the Service front-loaded its savings measures. In January 2011 it announced the first tranche of measures, which it expected to reduce expenditure by over £29 million, almost half the total savings required, and to result in 480 post closures in the two years to 2012-13 (**Figure 10**). Following the decision by the BBC Trust to commit higher levels of funding to the Service from 2014-15 onwards (Figure 6), the main purpose of measures in subsequent tranches was to release funds for the Service to invest in digital and television services.

Figure 10

The World Service's spending reduction measures

The Service identified measures to reduce its spending in tranches

	Tranche 1 2011-12 to 2012-13 (January 2011) (£m)	Tranche 2 2013-14 (November 2011) (£m)	Tranches 3 and 4 2014-15 to 2016-17 (June 2014) (£m)	Total (£m)
Service reductions				
Closure of five language services and reductions in other languages	9.3	1.0	1.3	11.6
Reductions in World Service English	1.2	0.3	2.2	3.7
Reduced transmission and distribution	0	0	4.2	4.2
	10.5	1.3	7.7	19.5
Efficiency savings				
World Service English	6.0	2.7	0	8.7
World Service Languages	(0.2)	0.4	1.5	1.7
Production	0	0	6.7	6.7
Transmission and distribution	6.6	5.5	0	12.1
Technical support	2.0	1.6	1.0	4.6
Back office	4.4	0.5	1.4	6.3
	18.8	10.7	10.6	40.1
Total	29.3	12.0	18.3	59.6

Source: National Audit Office analysis of BBC World Service data

Efficiency savings

2.8 Almost £31 million of savings, 66% of the total up to the end of 2014-15, resulted from improvements to the Service's efficiency. 67% of its £59.6 million spending reduction target up to 2016-17 is due to be delivered from improved efficiency (Figure 10). The Service will therefore have to find further efficiencies totalling over £9 million to achieve its cost reduction targets up to 2016-17.

2.9 The Service expected that the planned move from its own premises at Bush House into New Broadcasting House in early 2012 would provide opportunities for new ways of working and closer integration with BBC News which would deliver efficiencies averaging 5% annually. Additional efficiencies from further integration would also arise from 2014-15 onwards because of the switch to licence fee funding and the continuing integration of overseas offices. It is not clear how the Service calculated this 5% figure. The Service did not use this figure to set a savings reduction target for its efficiency measures, nor has it measured the extent to which it has achieved this 5%.

2.10 The Service has made progress in introducing new ways of working and integrating its operations with BBC News (**Figure 11**). As a result, 46% of its costs are budgeted to be incurred on its behalf by other parts of the BBC in 2015-16. However, some staff reported that the BBC still did not get the best out of them, despite the new ways of working. According to a 2015 survey of BBC staff, approximately 55% of Service staff felt that the BBC got the best out of them, compared to 64% for the BBC as a whole.

Reductions in services

2.11 The Service has reduced the scope and scale of the languages services it offers in order to reduce spending. Savings from these reductions totalled almost £16 million to the end of 2014-15, 34% of the total cost reduction of £46.8 million delivered to that date.

2.12 To deliver these savings, the Service took the following measures:

- In March 2011 it closed completely five foreign-language services (paragraph 1.11)⁶, and stopped all radio broadcasts for seven languages⁷ in 2011-12. This saved £7.5 million annually.
- It initially planned to stop short-wave radio programmes for all but five language services by the end of 2014-15.⁸ As funding became available to mitigate the impact of its spending reduction (Figure 6), it slowed the pace of closure, for example reversing some of the changes proposed to the Arabic service. As a result, it was still broadcasting in short wave for 16 languages by the end of 2014-15 and, as at May 2016, had no plans for further closures.
- It introduced substantial changes to the schedule for World Service English, decommissioning some programmes and reducing the extent of non-news output. It also planned significant reductions in the number of hours broadcast in short wave, from between 7 and 19 hours a day, depending on the region, to two hours a day. Again, as mitigation funding became available, it was able to maintain the number of hours broadcast at a slightly higher level of six hours a day.

6 Albanian, Macedonian, Serbian, Portuguese for Africa, and English for the Caribbean.

7 Azeri, Chinese – Mandarin, Russian, Spanish for Cuba, Turkish, Ukrainian, Vietnamese.

8 English, Burmese, French for Africa, Hausa and Uzbek.

Figure 11**The World Service's integration with BBC News****Integration has occurred in a number of areas****Organisational**

- The Service is part of BBC News Group and its head is Director of the World Service Group and Deputy Head of News and Current Affairs.
- A trustee has been appointed specifically to oversee the BBC's international services, including the World Service, at BBC Trust level.
- Support services, such as strategy, human resources, facilities management, and technology, have been integrated and common processes established in London and overseas, resulting in the need for fewer staff.

Editorial

- The Service is represented at the main morning editorial meeting for BBC News as a whole.
- It liaises with BBC News over the use of news crews to avoid duplicating coverage of a story.
- Bilingual journalists and specialist production units produce output for both the Service and BBC News.
- The Service has access to BBC-wide contracts with external parties, such as news agencies, and research colleagues across BBC News.
- More output is being produced centrally for use across a number of different language services.
- Production of more language-specific output has been moved overseas, reducing costs.

Financial

- Since the introduction of licence fee funding from 2014-15, there has been an integrated finance function with common financial procedures.
- Licence fee funding has facilitated the sharing of resources with BBC News.

Physical

- The Service's staff are co-located with BBC News colleagues in London and overseas offices, sharing much of the same production facilities, IT and equipment, and receiving common training in these.
- The Service has occupied less space than originally planned in New Broadcasting House owing to lower staff numbers resulting from integration and the reductions in services.

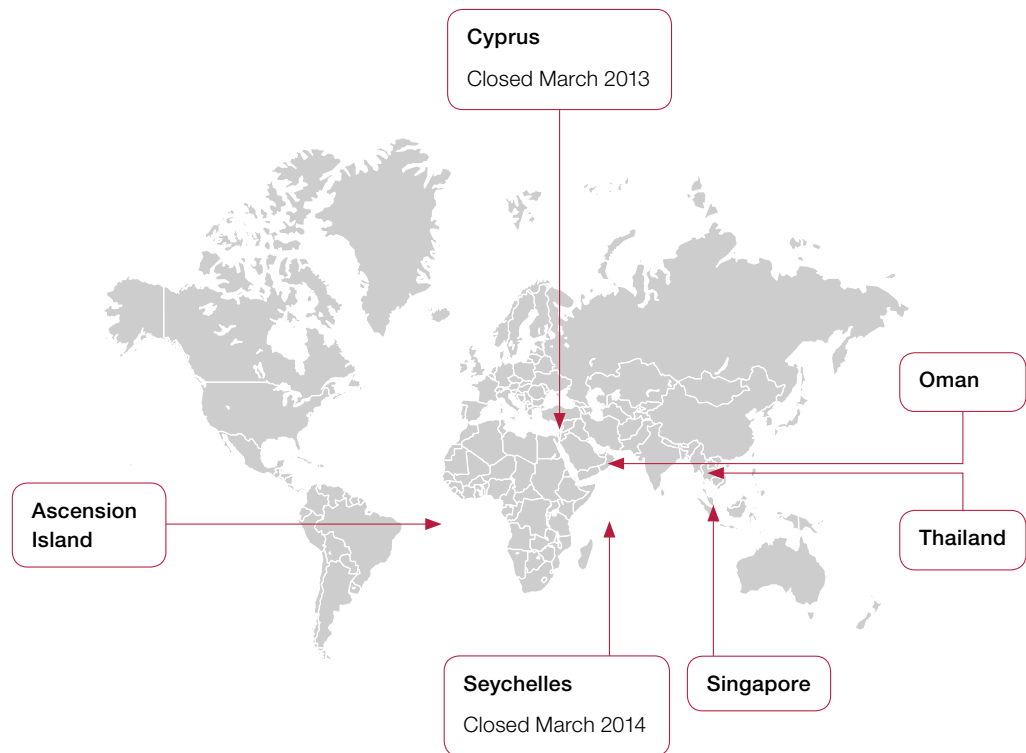
Source: National Audit Office

2.13 The reductions in short-wave broadcasts enabled the Service to close two of its six short-wave transmitter sites (**Figure 12**). These reductions were built into the new contract the Service entered into with Babcock International Group in 2012 for distribution services. This contributed to a £14 million reduction in annual distribution costs in 2016-17.

Figure 12

World Service short-wave transmitter sites

The Service has closed two short-wave transmitter sites



Source: National Audit Office

Investment in new delivery platforms

2.14 In line with its December 2010 six-year plan (paragraph 2.2), the Service has used some of the funding released by reductions in its spending to fund investment in online and mobile services and television news partnerships. The Service has been able to use more of the funding released for investment than originally planned. Its investment has increased from £2 million a year, planned in December 2010, to £7 million in 2014-15 and almost £13 million a year in 2015-16 and 2016-17. At May 2016, all 29 language services it provides were available online and could be accessed by mobile phone (**Figure 13**). The Service is also increasingly making its services available on social media and third-party apps.

Figure 13

World Service delivery platforms

The Service has reduced radio broadcasts and increased its television output

Delivery platform	Number of languages	
	March 2010	May 2016
Radio		
Short-wave	28	16
Medium-wave	9	7
FM	34	24
Television		
Dedicated channels	2 ¹	2
Bulletins and programmes	1 ²	13
Digital	33	29 ³

Notes

- 1 The Service opened its Arabic television channel in March 2008 and its Persian television channel in January 2009.
- 2 In 2010, the Service only offered television bulletins in Turkish.
- 3 The Service has increased the number of mobile and social media partners by which people can access its digital output.

Source: BBC World Service

2.15 To reduce costs and increase its audiences, the Service has made increasing use of partner organisations to broadcast its television and FM radio content, rather than broadcasting directly itself. As at May 2016, there were over 1,800 partner organisations broadcasting its content. These included, for example, 300 radio stations in Africa and nearly 700 radio stations in North America. As television is more expensive than radio, the Service's expansion into television has taken the form of news bulletins or individual programmes, to be delivered by partners, rather than opening its own new television channels.

2.16 The Service plans to expand and enhance its services using the extra funding announced by the government in November 2015 (paragraph 1.4 and **Figure 14**). It is currently preparing plans to achieve this, and will seek the Foreign Secretary's approval, as necessary, for any new language services.

Deciding priorities

2.17 Since December 1998, when the NAO last reported on it⁹, the Service has reduced the number of language services it provides by more than a third, from 44 to 29 (**Figure 15**). It has opened one new language service – a Thai Facebook news service. This opened in July 2014 after international channels, including BBC World News, were taken off-air following a military coup. It was initially intended to be provided for only three months. However, with the approval of the BBC Trust and FCO the Service decided to extend this until the restoration of an internationally recognised democratic government. As at May 2016, the service was still open.

Figure 14 World Service's proposed expansion

The Service intends to use the extra funding of £289 million to provide:

- enhanced television services for Africa;
- new radio services for audiences in North Korea;
- radio and digital services for Ethiopia and Eritrea;
- additional language offers via digital and television in India and Nigeria;
- more regionalised content to better serve audiences to the Arabic service;
- dedicated television output for Somalia and a fully digital service for Thailand;
- enhanced digital and television services for Russian speakers, in Russia and surrounding communities;
- a video-led digital transformation of World Service Languages services; and
- improved impact and future-proofing of World Service English.

Source: BBC World Service

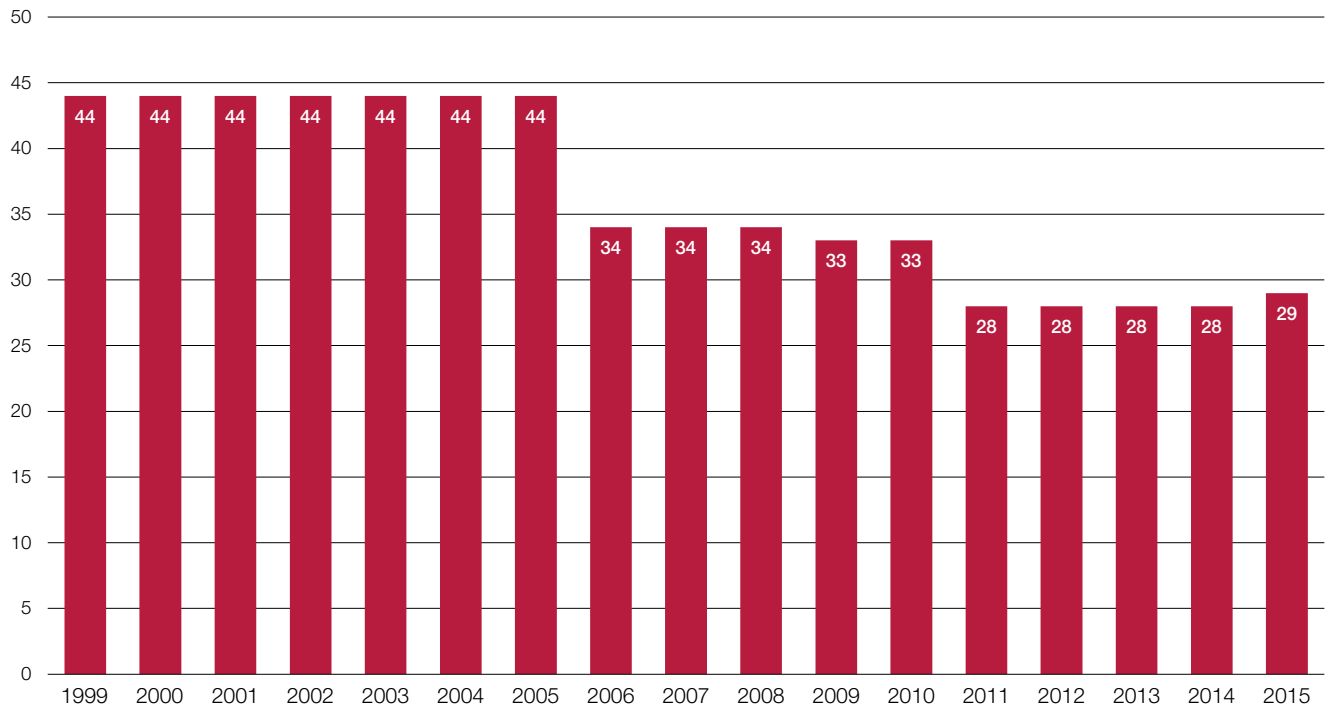
9 Comptroller and Auditor General, *BBC World Service: New Financial Arrangements*, Session 1998-99, HC 26, National Audit Office, December 1998.

Figure 15

Changes to World Service language services

The number of language services has fallen since March 1999

Number of language services

**Notes**

- 1 In 2005-06, the Service closed 10 language services, almost all broadcasting to eastern Europe and the former Soviet Union, in the run-up to charter renewal in 2007 to fund the subsequent launch of its Arabic and Persian television channels.
- 2 In 2010-11 the Service closed five language services following the 2010 Spending Review (paragraph 2.12).

Source: National Audit Office analysis of BBC World Service data

2.18 According to the Service, it used four criteria when prioritising its existing language services in 2009-10 in the run-up to the 2010 Spending Review and when recommending which of these services to close following the funding reductions in the Spending Review settlement in 2010:

- the strategic importance of the country served by the language service;
- the need for independent, impartial news in that country;
- the likely impact in the country in terms of audience size; and
- the cost-effectiveness of the service.

These criteria reflect the Service's objectives and priorities, and are similar to criteria used by other western national broadcasters that broadcast overseas and that have had to prioritise the languages they offer in response to significant reductions in their budgets.

2.19 When seeking the BBC Trust's approval for both the initial opening of the new Thai service and its subsequent extension (paragraph 2.17), the Service did not formally assess the proposed service against the four criteria. The BBC Trust therefore asked the Service to develop a set of criteria to use when considering future proposals from the Service to open or close language services. In response, in November 2014, the Service agreed the following four criteria:

- evidence of the lack of availability of impartial news;
- the Service's ability to meet the need for impartial news;
- the likely impact on audiences; and
- the Service's ability to deliver service cost-effectively.

These criteria were different from the previous four; for example, they include no reference to the strategic importance of the country involved.

2.20 Despite its inclusion in both the original and November 2014 prioritisation criteria, it is not clear what prominence the Service attached to cost-effectiveness when recommending which language services to open or close. For example, in 2010-11, in response to the Spending Review settlement, it recommended for closure the five language services that it rated as having the lowest strategic importance, need and impact. However, the documents we obtained from the Service did not show how it took account of the relative cost-effectiveness of its existing languages when identifying those for possible closure. Similarly, the Service used the first three of the November 2014 criteria when identifying proposals for expansion in response to the government's announcement in November 2015 of extra funding (paragraph 2.16).

2.21 In November 2014, the Service defined a cost-effective language service as one that did not cost more than 30% of the average cost per user for similar services on similar platforms. As at May 2016, our analysis showed that nine of its language services exceeded this threshold (**Figure 16**). This does not necessarily mean that the nine services should not be provided as their continued provision may be justified under the other criteria used by the Service when deciding on its language services. However, it is not clear what weighting the Service attaches to cost-effectiveness compared with these other criteria.

Figure 16

Cost-effectiveness of World Service's language services

Nine language services exceeded the Service's definition of cost-effectiveness

Scale of Service	Number of delivery platforms	Cost-effectiveness threshold ¹ (£)	Language exceeding threshold	Cost per audience member (£)
Small	1	0.48	Vietnamese	1.42
			Azeri ²	3.04
Small	2	0.35	Sinhala ²	0.49
			Chinese	2.38
Medium	2	0.25	Pashto	0.37
			Brazilian	0.44
			Russian	0.46
			Turkish	1.13
			Uzbek	1.17

Notes

- 1 The cost-effectiveness threshold is defined as the average cost of the language services in the relevant grouping, expressed as cost per audience member, plus 30%.
- 2 The audiences for the Azeri and Sinhala services are not fully captured above because of the difficulties the Service had in collating audience data from these countries.
- 3 The scale of service and number of delivery platforms are contained in the BBC's April 2014 Operating Licence for the Service.

Source: National Audit Office analysis of BBC World Service data

Part Three

Reporting performance

3.1 This Part examines the BBC World Service's (the Service's) performance. We assess:

- the Service's reported performance;
- its approach to target-setting;
- how it measures its performance; and
- measuring the wider benefits it produces for the UK.

The Service's reported performance

3.2 In 2013, the BBC Trust and Foreign & Commonwealth Office (FCO) jointly approved three high-level audience size targets for the Service for the period to 31 December 2016. By March 2016 it had achieved these (**Figure 17**). The Service reported in April 2016 that its total audience measured 246 million in 2015-16, 48% higher than the 2010-11 figure of 166 million. The Service does not report on the audience reach it has achieved as a percentage of the population in the countries to which it broadcasts, either globally or for individual language services.

Figure 17

Performance against audience size targets

The Service has met its three targets

Target to be achieved by 31 December 2016	2014-15 outturn (m)	Target achieved?	2015-16 outturn (m)	Target achieved?
To reach an estimated weekly global audience of at least 200 million adults across all platforms, including its core radio service	210	Yes	246	Yes
To reach 60 million weekly viewers to its television services	74.2	Yes	90.6	Yes
To reach 25 million weekly users to its online content	22	No	25.4	Yes

Source: BBC World Service

3.3 Although the Service's estimate of its global audience has increased since 2010-11, its global footprint is smaller. Its total potential audience has reduced by over 41 million as a result of its closure of five language services (paragraph 2.12).

3.4 In addition to the size of audience targets, the FCO and the BBC Trust set the Service two targets for audience satisfaction from 2013-14. The Service was to achieve higher ratings than its international competitors for 'most trusted international news provider' and 'helps to keep me informed'. These replaced a previous target that the Service be rated more highly than its closest international competitor for awareness, reach, objectivity, relevance, value, and loyalty. The Service reported that it had met these targets in both 2013-14 and 2014-15 (**Figure 18**).

3.5 Although the Service has reported successful performance against both audience size and satisfaction targets, there are limitations both in how its targets are set and its performance is measured.

Figure 18

Performance against audience satisfaction targets

In 2014-15 the BBC rated more highly than its international competitors for 'helps to keep me informed' and 'most trusted international news provider'

	Percentage of respondents who have used the news provider and agree		
	BBC (%)	Comparator providers Lowest (%)	Comparator providers Highest (%)
Helps keep me informed			
The news provider helps me to form my opinions on important issues	73	57	72
I often discuss news that I have seen or heard on the news provider	66	52	66
Most trusted international news provider			
The news provider is a trustworthy source	40	20	37

Note

1 The Service compared performance with that of eight news providers – CNN, Daily Mail, EuroNews, The Guardian, Al Jazeera, New York Times, Sky News, Voice of America. The number of respondents totalled approximately 4,200 across 12 countries.

Source: BBC World Service

Target-setting

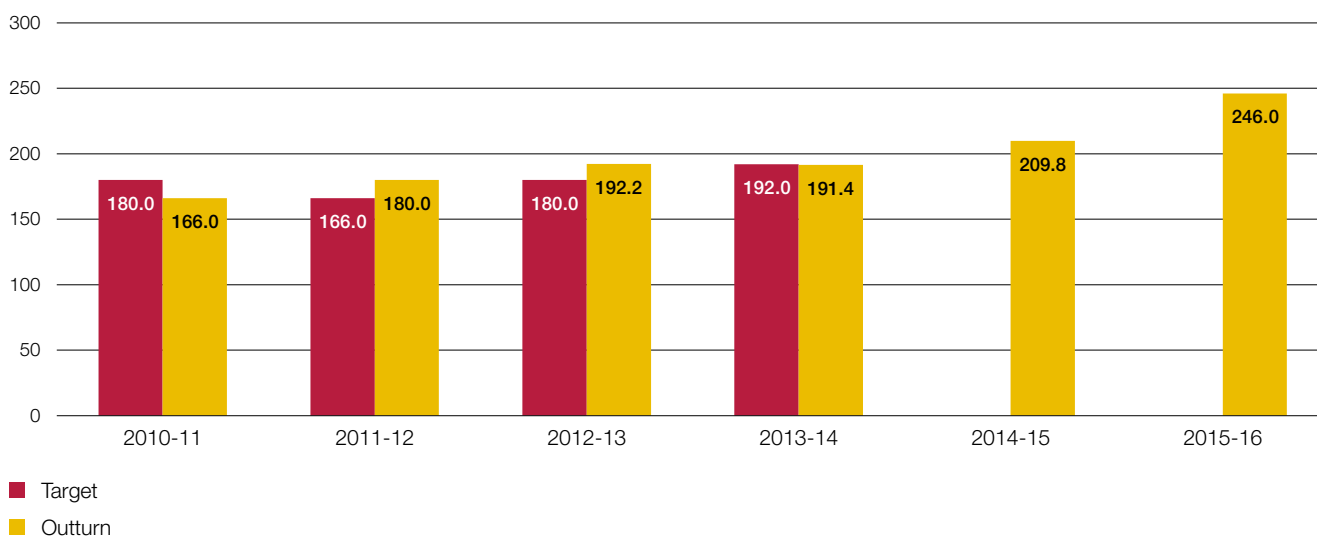
3.6 Before April 2014, the Service took a relatively simple approach to target-setting, adopting as its annual global audience target each year the audience figure it had achieved in the previous year (**Figure 19**). The Service had expected its audience to fall, in line with the long-term decline in its audiences for short-wave radio and its plans for further reductions in its short-wave services. It had, for example, forecast a fall of over 30 million in its global audience following the service closures announced in January 2011 (Figure 10), followed by further reductions over the course of its December 2010 six-year plan (**Figure 20**). It therefore believed that targets set at the previous year's audience figure would be testing.

Figure 19

Performance against annual targets for global audience

Until 2014-15, the Service set its annual global audience target by using the audience it had reached in the previous year

Weekly global audience (millions of adults)



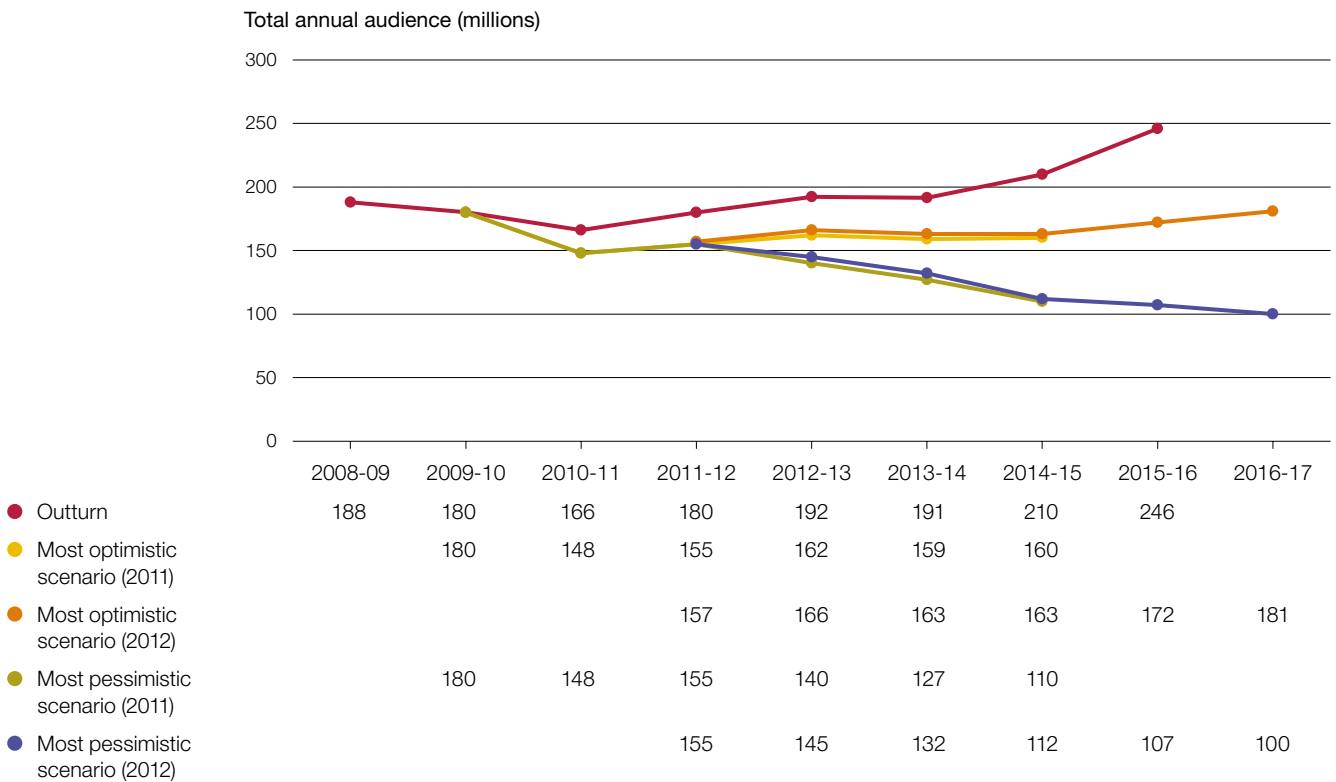
Note

1 There were no annual targets for 2014-15 and beyond as the target was to achieve an audience of 200 million by December 2016.

Source: National Audit Office analysis of BBC World Service data

Figure 20
World Service audience – Projections against outturn

The Service's forecasts significantly underestimated the actual audience figures it achieved



Source: National Audit Office analysis of BBC World Service data

3.7 The audience size as measured by the Service has increased by 48% since 2010-11 (paragraph 3.2). The only year that the audience figure did not increase was 2013-14, when there was a reduction of less than 1% (Figure 19). There are a number of reasons why the forecast decline in audience numbers did not happen:

- audiences figures for radio were higher than forecast as audiences for short-wave radio have not fallen as steeply as expected and the Service has cut back on the planned reduction of its short-wave broadcasts (paragraph 2.12);
- the Service underestimated the increase in audience figures arising from its increased investment in television services (Figure 5 and paragraph 2.15); and
- the increasing availability of the Service's output on social media (paragraph 2.14) has resulted in higher audiences for its digital services than forecast.

3.8 After April 2014, a more refined approach to target-setting was adopted. From this point, three-year audience size targets were set on the basis of an analysis of market trends and future demand for its services. Targets were set for the total, television and online audiences (Figure 17), which the Service then cascaded down to set internal targets for 15 language services for the size of their online audiences. It did not set targets for their audiences on other delivery platforms.

3.9 The audience targets set as a result of this new approach were set at or below the Service's forecast levels. An analysis provided by the Service to the BBC Trust in 2013 identified that, after taking account of various factors, its total 2016-17 audience could reach 200 million, while audiences for its television and digital services could reach 65 million and 33 million respectively by 2016-17. The targets proposed by the Trust, and accepted by the Service and the FCO, for television and digital audiences were lower than these forecasts. This was because the Trust considered that the Service required some flexibility and it wanted to avoid the Service focusing on the television and digital targets to the detriment of the total audience target of 200 million.

3.10 The Service reported in 2014-15 that it had already achieved two of the three audience targets, those for its total global and its television audience, after one year of the three-year target period (Figure 17). Despite this, the targets have not been formally reviewed and are still in place. As a global broadcaster, there may also be external factors that impact on the Service's ability to achieve its targets. New targets will be agreed as part of the new operating licence under the new Charter.

Measuring performance

Audience size

3.11 The Service's main measure for reporting on its audience is its Global Audience Measure (the Measure). This is the Service's estimate of the number of adults worldwide who listen to its radio broadcasts, watch its television programmes, or access its online content in an average week, based on the information available to the Service on the date it calculates this estimate. Given its international coverage, obtaining the data for television and radio audiences can be difficult and, in some countries, impracticable, owing to local conditions. In May 2015, the Service calculated the 2014-15 Measure, covering 245 countries and territories, and including audience data for materials broadcast by partner organisations as well as by the Service itself.

3.12 Data for the Measure comes from a variety of sources and methods (**Figure 21**). In markets where these are available, the Service uses digital statistics and industry-approved ratings data. It supplements these with surveys, when this is affordable and practicable, often carried out jointly with other broadcasters. On average, over the last five years, the Service has carried out about 15 audience surveys a year. As a result, 40% of the survey data used in compiling the television and radio elements of the 2014-15 Measure had been obtained in the previous 12 months, with 10% of the data being between 5 and 10 years old. The Service excludes from the Measure survey data that are over 10 years old and countries, such as Syria, to which it broadcasts but for which it has no reliable data. The Service sometimes combines a country’s survey results if, for example, it carries out a national survey in one year and then surveys only the capital city the next year. In the most complex cases, the estimated audience for one country may be based on five or more surveys.

Figure 21
Sources of the World Service’s estimated global audience, 2014-15

The Service’s estimate of its annual global audience target is based on a number of data sources

The extent to which 2014-15’s Global Audience Measure was based on the following data sources				
	Percentage (%)		Percentage (%)	
Survey data	79.7	→	Age of survey data	
Digital statistics	10.1		1 year and below	40
Ratings data	7.9		1 to 2 years old	27
Social media statistics	1.6		2 to 5 years old	23
Survey and ratings data ¹	0.7		5 years and above	10

Note

1 Survey data has been supplemented with local ratings data to ensure whole-country coverage.

Source: National Audit Office analysis of BBC World Service data

3.13 Year-on-year estimates for the Measure reflect year-on-year changes in how the figures are compiled as well as changes in performance. Factors impacting on the reported figures include:

- **Changes in the survey data**

Changes in the Measure can result from the receipt of new, and the deletion of out-of-date, survey data. For example, the 2014-15 Measure included an audience of 2.7 million for Cameroon which was surveyed in 2014-15 for the first time since 2003 and whose previous data had been excluded in 2013. In contrast, data for 10 surveys was removed in 2014-15 due to the 10-year rule, reducing the Measure by 1 million.

- **The inclusion of data relating to new delivery media**

More people are only accessing the Service's output via social media. In 2014-15 the Service included for the first time the number of people who accessed its content on Facebook and YouTube, increasing the Measure by 3 million, and, in 2015-16, it plans to include those accessing content via other social media platforms.

- **Refinements to the methodologies used to guard against double and triple counting**

As the Measure is a composite figure made up of figures for its audiences on different delivery platforms – radio, television and online – the Service has to adjust the data collected to guard against double-counting people who use more than one platform. The Service regularly refines how it does this in order to improve the Measure's accuracy. For example, in the 2014-15 Measure, it attempted for the first time to account for people who accessed its content using more than one electronic device – lap-top, tablet or mobile phone.

- **Refinements to how it takes account of differing levels of audience engagement**

The Service is unable to measure the amount of time people spend using its services. However, in 2014-15 it attempted for the first time to take account of the differing levels of engagement with its output between someone who listens to its radio programmes for several hours a day and someone who looks briefly at a Service web page. It only counted those audience members who actively engaged with its social media content by, for example, 'liking' or 'commenting' on the content. It is undertaking further research into audience behaviour to improve its calculation of the Measure in future years.

3.14 The reported figure for the Global Audience Measure is inevitably an estimate and subject to uncertainty. However, this is not sufficiently clear when reporting performance. The audience figure is reported to the BBC Trust and FCO and published in the BBC's Annual Report and Accounts.¹⁰ The 2014-15 annual report stated that the Service's audience totalled 209.8 million, exceeding 200 million for the first time. Although the Report noted that this was a snapshot figure, compiled from a number of data sources, it did not set out the inevitable limitations in the underlying data, such as the age profile of the data inputs (paragraph 3.12). In April 2016 when publishing its annual Global Audience Measure, the Service stated that the figures in the Measure have a standard margin of error of +/- three percentage points. It has not, however, estimated the total level of uncertainty attached to the reported total audience figure. This arises not only from the uncertainty attached to the survey and ratings data, but also how the total figure is compiled and the age profile of the data, which is not disclosed.

Audience satisfaction

3.15 Since at least 2009-10, the Service has reported that it has met its targets for audience satisfaction, but the data it uses for this do not relate specifically to the Service. The data that are reported are collected for BBC News as a whole. No separate data are collected on how the Service itself has performed. The BBC disclosed that it was using data relating to BBC News in its reported performance to the BBC Trust and FCO and in its published performance data from 2013-14 onwards.

3.16 According to the BBC, its overseas audience tends not to differentiate between the BBC's different overseas brands and it considers BBC News to be a good proxy for the Service. However, 2014-15's performance data were obtained from a survey of 12 countries, and European countries were over-represented within this group when considered against the countries the Service broadcasts to. European countries accounted for 25% of respondents to the survey, but only 6.5% of the Service's audience in 2014-15. Also, the targets set by the BBC Trust and the FCO clearly specify that they relate to the Service, and the funding provided by the FCO up to April 2014 related to the Service, and not BBC News.

¹⁰ Up to and including 2013-14, the audience figure was reported in the Service's own Annual Review, published separately to the BBC's Annual Report and Accounts.

Wider benefits to the UK

3.17 Evidence on the benefits that the Service achieves for the UK is limited since, as a provider of accurate, impartial and independent news, the delivery of such benefits lies outside the Service's remit and objectives. The BBC commissioned consultants in 2013 to examine retrospectively the indirect economic impact of its international output, covering both its commercial and public services. The results did not distinguish between the impact of the Service and the BBC's commercial services. The consultants found that those who used the BBC's services frequently had more favourable perceptions of the UK and 56% of respondents agreed that the BBC played a direct role in influencing their business decisions in favour of the UK. However, the evidence was limited to an online survey of attitudes towards the UK and the BBC among 875 'international business leaders' in just three countries: the USA, India and Australia. Although these three countries accounted for 12% of the Service's global audience in 2014-15, users of the Service's non-English language services are under-represented in the survey.

3.18 In November 2015 the UK government announced extra funding of £289 million for the Service from 2016-17 to 2019-20 (paragraph 1.4) on the basis that, as a provider of accurate, impartial and independent news, the Service helps to strengthen democratic accountability and governance, and promote Britain and its values around the world. As at May 2016, the FCO had not confirmed how it would assess the impact of the extra funding against objectives.

Appendix One

Our audit approach

1 This study examined whether the Service is meeting its plans to change significantly its services and cost base, while managing the impact on current and future performance. It assessed whether the Service has:

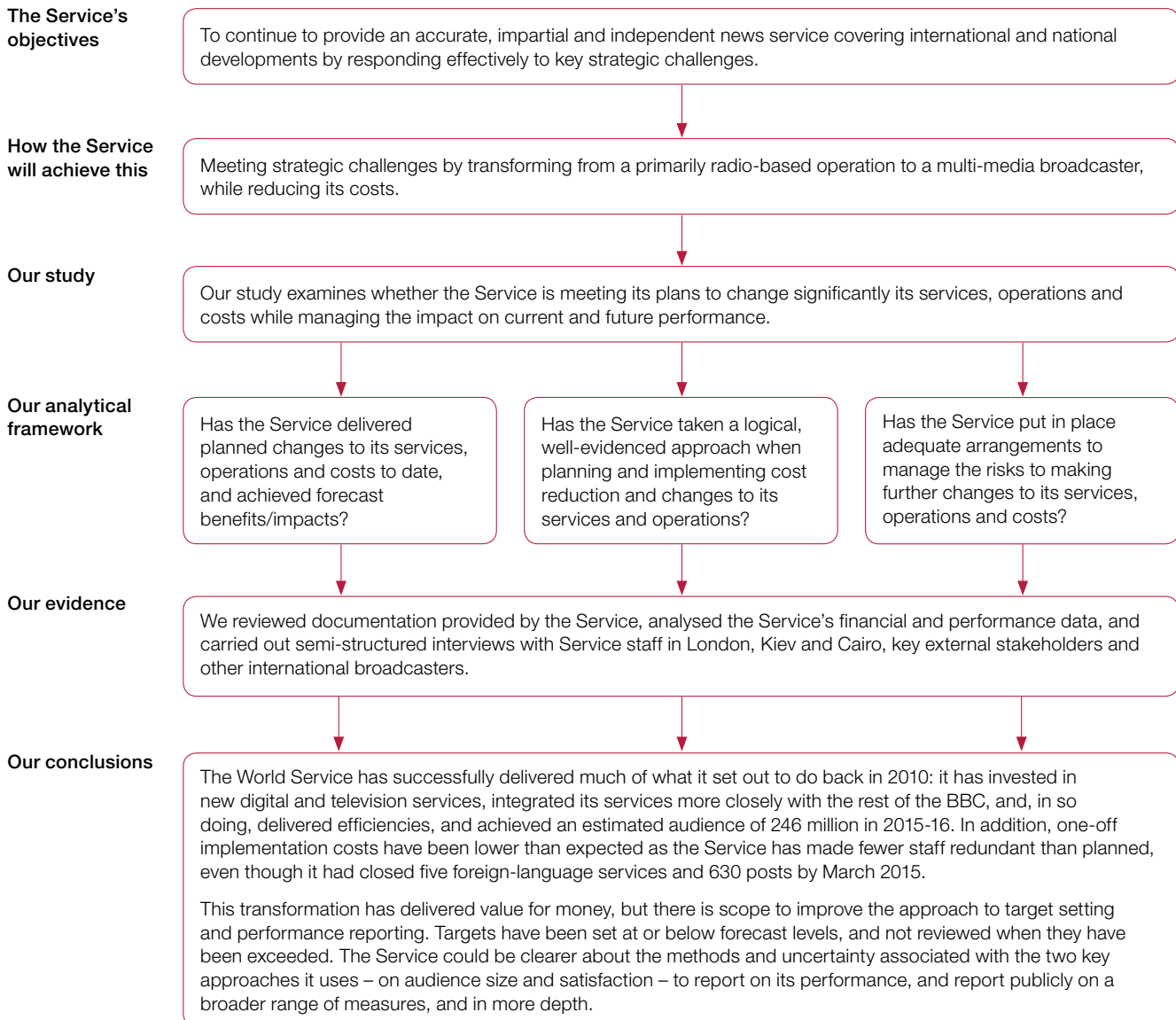
- delivered planned changes to its services and operations, and reduced expenditure, to achieve forecast benefits/impacts;
- a clear strategy and well-evidenced understanding of the impact on value of the changes it has made; and
- a clear strategy for managing risks to its influence, impact and cost-effectiveness in the face of a changing market for international broadcasting, and for achieving its targets for increasing its reach.

2 We applied an analytical framework with evaluative criteria that considered whether the Service is managed effectively. We drew on previous work on major project management across government.

3 Our audit approach is summarised in **Figure 22** overleaf and our evidence base is described in Appendix Two.

Figure 22

Our audit approach



Appendix Two

Our evidence base

1 We reached our conclusions on the Service after analysing evidence we collected between August and December 2015. Our audit approach is outlined in Appendix One.

Document review

2 We reviewed documentation provided by the Service to understand whether:

- it had delivered planned changes to its services, operations and costs to date, and achieved the forecast benefits/impacts;
- it had a logical and well-evidenced approach when planning and implementing cost reduction and changes to its services and operations; and
- it had put in place adequate arrangements to managing risks to making further changes to its services, operations and costs.

Data analysis

3 We analysed the Service's financial and performance data. This analysis allowed us to understand:

- the reported performance of language services;
- the Service's estimates of the costs and benefits for each language service; and
- the reliability and transparency of information underlying decisions about language services.

Interviews

4 We carried out semi-structured interviews with Service staff in London, Kiev and Cairo to understand:

- how the Service has evolved in the context of a shifting digital landscape, cost reductions and increased international competition; and
- how it sought to make significant cost reductions while minimising the impact on its objectives.

5 We interviewed key stakeholders, including the Foreign & Commonwealth Office (FCO), and other international broadcasters. We also liaised with specialist NAO colleagues on transformation and business modelling issues, and colleagues on the NAO team who produced the *Exploiting the UK Brand Overseas* report.¹¹ These interviews allowed us to understand:

- the strategic challenges faced by comparable organisations and how they have responded to these challenges; and
- the Service's relationship with the FCO.

¹¹ Comptroller and Auditor General, *Exploiting the UK Brand Overseas*, Session 2015-16, HC 80, National Audit Office, June 2015.

