



House of Commons
Committee of Public Accounts

**The BBC's efficiency
programme: The BBC's
Response to the
Committee's 73rd
Report of Session 2010-
12**

**First Special Report of Session 2012-
13**

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Committee of Public Accounts

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Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Adrian Jenner (Clerk), Sonia Draper (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

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First Special Report

The Committee of Public Accounts published its Seventy Third Report of Session 2010-12, *The BBC's Efficiency Programme*, on 6 March 2012, as House of Commons Paper No. 1658. The response to this Report from the BBC was received on 19 June 2012 and is published as an appendix to this Special Report.

Appendix: BBC Trust's response

As the BBC moves into the next stage of its efficiency programme—*Delivering Quality First*—your report will be very useful in helping us to manage those plans successfully. We will work with the BBC Executive to ensure the BBC takes the appropriate actions in response to the Committee's specific findings.

The BBC has made good progress towards the efficiency target set by the BBC Trust in 2007, but its assumptions about the savings it could achieve were unambitious

We would question whether, in the context of the time, the 2007 target was unambitious. Based on work carried out by the BBC and the Department for Culture Media and Sport (DCMS) as part of the process of setting the level of the licence fee, DCMS considered that the BBC could be able to deliver up to 3 per cent annual savings over the Charter period. The National Audit Office (NAO) looked at DCMS' calculations and concluded that DCMS had sufficient evidence on which to assess the broad level of efficiencies that the BBC could reasonably be expected to deliver. The BBC Trust subsequently set the target at the top end of the range suggested by DCMS.

The BBC should make sure that all proposed cuts are supported by good evidence of what services cost and a rounded assessment of how much they are valued by licence fee payers

We agree with the Committee's finding and this is what we set out to achieve through the BBC's *Delivering Quality First* (DQF) process. The BBC's strategy aims to make as many savings as possible through efficiencies to limit the impact on programmes and content and to protect those services that deliver the most value to audiences. The process has been informed by a good understanding of what each BBC service costs and how well the BBC is meeting licence fee payers expectations. This evidence was gathered from numerous sources for example, our rolling programme of service reviews (each service is reviewed, publicly, at least once every five years), annual setting of service licence budgets and detailed performance monitoring of BBC services.

We have completed our public consultation on the Executive's proposals and published our initial analysis in June 2011 alongside an independent report we commissioned from Ernst and Young on the BBC's efficiency programme. We have listened to the consultation responses and we are making changes where necessary to protect the value services provide to audiences. An example of this is in local radio where we asked the Executive to re-visit

its plans because of the disproportionate impact on audiences. We intend to publish our final conclusions on the Executive's proposals in May.

The BBC should publish how it expects cuts to impact on services, the level of impact it is willing to tolerate, and how it will respond if these levels are breached

We agree there is a need to measure the level of impact on services. As the DQF programme is implemented, we will ensure the BBC has put in place controls to measure the impact of the changes to ensure that efficiencies are true efficiencies that do not impact on scope or quality. We are also considering how the BBC might make the results of this work public.

The BBC should challenge the cost of its services more vigorously, through greater use of internal benchmarking across the BBC and, for example, by gathering intelligence on costs from other broadcasters, from overseas, or from individuals with relevant experience

We agree with this finding and will work with the BBC Executive to ensure it continues to explore ways in which it can obtain external perspectives and benchmarking information to identify possible opportunities for savings.

The BBC Trust should formally revisit whether the target for commercial income can be increased

The BBC plans to increase the amount of dividend it draws from the activities of BBC Worldwide. Whilst in the first three years of the current Charter the BBC received £150million in dividends, it plans to almost double this amount and forecasts to receive £280million for the period 2010/11 to 2012/13. This increase comes during an economic climate where sustaining the level of commercial return for licence fee payers is increasingly challenging.

In addition to dividend income, the BBC receives direct investment from BBC Worldwide in the form of co-production income to help fund BBC public service programmes. Last year, BBC Worldwide invested £78.5million into BBC commissioned programming. The BBC also generates additional commercial income through its Studios & Post Production business, rights deals carried out to third parties by the BBC Commercial Agency and BBC World News.

The £40million target for additional commercial income is based on the BBC Executive's proposal to find new sources for commercial funding, for example by encouraging more commercial investment up front when programmes are commissioned. The majority of the £40million target is expected to come from BBC Worldwide and as such represents an increase of approximately half of its existing direct investment. The Trust has taken a prudent approach here, not only for the reasons suggested by the Committee, but because of the concern that if it was taken too far, increased commercial influence over programme making could risk undermining the BBC's fundamental commitment to the most distinctive public service programme making. We do not, therefore, propose to change the £40million proposal at this stage. However if, as the Committee suggests, it proves possible to generate more commercial income without damaging the quality of services or having an undue impact on the wider market, we would welcome this. I hope this response

provides you with sufficient confidence that we will do everything we can to learn from all the work undertaken by the NAO and the Committee.