

Delivering Quality First

October 2011



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Chairman's Introduction

Over almost 90 years since its creation, the BBC has earned respect abroad and trust and pride at home. It is far from perfect but is a great institution and at its best a great broadcaster. It should constantly strive to do better, providing high quality programmes and services to as many people as possible.

The major news stories of the past year have highlighted again the importance of the BBC providing an independent source of information and a public space for arguing and debating the future. It serves our Nation, not the State.

Yet like every other part of the public sector the BBC must live within our collective means. It is a privilege to be funded by the public through the licence fee. This privilege should be neither abused nor taken for granted. With people and organisations everywhere in the UK obliged to pull in their belts, we cannot absolve ourselves at the BBC from the responsibility of responding to current economic realities. No-one is demonstrating for a higher licence fee, and with one that is frozen for the next five years we have to make savings of at least 16 per cent to our annual budget. If inflation runs above present projections, these savings will need to be even bigger.

It is a new experience for the BBC to see its income fall significantly in real terms. But it should not be impossible to adapt to this reality. We should be able to run an outstanding public service broadcaster on a budget of £3.5 billion. The BBC Trust has to guide the BBC to implement a strategy that does this. We cannot do everything we want. Some things we would like to do are luxuries we cannot afford. We have to focus on our core services and deliver them as efficiently as possible.

The public will naturally expect the BBC to use its money wisely and well. It has made great progress in recent years towards the £2bn efficiency target that was set after the previous Government funding review. But the search for further efficiencies must continue. And the Trust, with its own independent advisers, has set a stretching target to save as much as possible of the money that has to be saved through better management and reduced back office costs. We are confident that the BBC can deliver over half the necessary savings that way. But not everything can be found through efficiency gains. We will also have to find ways to save a minimum of £205 million from the annual content budgets for BBC services by 2016/17.

It's not easy to decide how to allocate those savings across the BBC. Every service is currently performing well. Every service has a loyal following. Every individual will have their own view of the right or fair way of making savings. If we were to make our decisions by focus group, we would probably end up with no savings at all, or squeezing every budget by the same amount on the erroneous grounds that this would produce a solution that would be defensible because it was manifestly more equal.

This is not the way forward. We want instead to take some clear decisions about the shape of the BBC's services so that it meets the strategy that we have already agreed and published for increasing the distinctiveness of BBC programmes and serving all sections of our audience.

The Trust's approach can be summarised as follows:

1. We want to protect the five editorial priorities that the Director-General has identified: news; children's programming; UK drama and comedy; knowledge programming; and the coverage of events of national importance. These are the heart of the BBC, where it most clearly distinguishes itself from other programme makers.
2. That has to mean a reduction in the amount available to spend on some other areas, for example sport and entertainment; the decision to share the coverage of Formula 1 motor racing is early evidence of this.
3. We also want to maintain investment in those parts of the BBC that bring the greatest value to the greatest number of people: distinctive and high quality programmes in the peak-time schedules of the flagship network television and radio services.
4. We believe we can do this by reducing programme budgets elsewhere: partly by removing or re-casting less-valued parts of the schedule; and partly by taking some money out of the BBC's smaller channels and identifying them more clearly as extensions of their larger siblings. In television, the final act of digital switchover in any case provides a natural moment at which to re-balance a channel line-up that was originally conceived mainly to attract people to digital viewing over a decade ago.
5. We will stick to the plan that has reduced BBC Online's budget by 25 per cent in the past year. We will continue, however, to look to the BBC to invest in new technology where it can add to the audience experience – whether through the development of HD, through access to the back catalogue or through internet-connected television in all its forms.
6. In making any changes, we want to ensure that the BBC continues to improve the extent to which its services resonate with all the UK's nations, regions and communities and reflect the devolved nature of the UK and the distinctive characters of its constituent parts.

The Trust has encouraged BBC management to develop detailed proposals that fit with this general approach. Those proposals are set out below. None of the proposals extend so far as to suggest the complete closure of a BBC service. Given the loyal following that every service carries, the Trust has agreed that it is desirable to avoid such closures if possible.

Before the Trust agrees any changes, however, we want to test them with the public and the industry. Let us know whether you think the detail matches the ambition we have set to have a BBC that is clear and confident about its purpose and holds tight to its public service mission – educating, informing and entertaining. But please remember that to do nothing is not an option.

Lord Patten of Barnes
Chairman, BBC Trust

About this document

In January 2011 the BBC Trust asked BBC management to develop a set of proposals to re-organise the BBC's business and make the savings required by the 2010 licence fee settlement.

This document marks the conclusion of the process of internal debate and consultation over those proposals. It is presented in two sections:

- First, BBC management's description of their detailed proposals, and the thinking behind them
- Second, the BBC Trust's consultation, which is focused on the impact that the proposals would have on the content of BBC services

At the end of the Trust section, we have provided details of how to respond to the consultation.

Separately, the Trust will continue to monitor and report publicly on the BBC's progress against the plans for efficiency savings that are described below. However, that is not the focus of this public consultation.



Delivering Quality First

Delivering Quality First

This is a plan for a BBC with clear priorities and an uncompromising commitment to putting quality first.

A smaller and radically reshaped BBC, yet still able to command the talent, technology and resources it needs to deliver the best broadcasting in the world.

A BBC ready to partner with others to build a shared digital public space.

A BBC which, in uncertain times for audiences and media alike, is more determined than ever to bring the best to everyone.

Mark Thompson
BBC Director-General
October 2011

THE PLAN IN SUMMARY

Two events in 2010 gave the BBC a solid foundation on which to plan its future over the next six years. The BBC Trust approved our strategy *Putting Quality First* and the BBC and the Government agreed the Corporation's funding until 2017.

Putting Quality First concluded that the BBC should increasingly concentrate its creative energy and resources on five editorial priorities defined by the Director-General. They represent the five things which the public say they most want from the BBC and which most clearly speak to its public service mission. The five pillars of the BBC's future editorial strategy are therefore to provide:

- *The best journalism in the world*
- *Ambitious original British drama and comedy*
- *Inspiration and commitment in the fields of knowledge, music and culture*
- *Outstanding services for children*
- *Events that bring communities and the nation together.*

In October, the Government and the BBC agreed that the licence fee should remain at £145.50 until the end of the Charter in 2017—giving certainty of funding for six years—and that the BBC would fund extra broadcasting-related activities consisting of:

- The BBC World Service and BBC Monitoring
- An expanded partnership with the Welsh language television service S4C
- Support for new local television services
- Raising and extending the current ring-fence in the licence fee for digital TV switchover from £133m a year to £150m a year, repurposed to support broadband roll-out.

The agreement held that these new commitments would be funded by making 16% efficiencies over the four years to 2016/17, in line with the efficiencies being asked of many other cultural bodies. The agreement also committed the Government to putting no new obligations upon the BBC (financial or otherwise) until the end of the Charter.

The Director-General set the organisation an additional challenge: to find extra savings of up to 4%, to find them disproportionately from reducing back-office costs, and to reinvest them in new high-quality output and digital innovation.

The context in which we identify these savings is one in which the BBC enjoys record levels of public satisfaction. Each week 96% of the public uses the BBC, spending around 19 hours every week on average watching, listening to and/or reading BBC content across television, radio, online and mobile. Average appreciation scores for BBC TV programmes reached 82 out of 100 in 2010, up from 78 in 2007 and 75 in 2005.

We have set ourselves the ambition of maintaining and, where possible, improving on this strong performance. To do that, we have decided to protect content investment as far as possible and to seek the deepest savings from activities not directly related to the making and broadcasting of programmes and services. Within content, we have sought to make savings which have the least impact on those services which the public most rely upon, and on those day-parts in which they

are most likely to be using the BBC. Although protecting the quality of our core services has been our first priority, we have also ensured that we have the investment ready to continue to find new ways and new platforms on which to offer the public valuable and enriching content.

The productivity challenge

We began by examining how much of the 16% savings could be achieved through productivity improvements alone. The BBC is already engaged in a searching efficiency programme which, across the organisation, has produced average annual savings of more than 3.5% since 2008. Although new technologies and facilities (such as BBC North, Broadcasting House and digital production tools) have yet to come fully on-stream and there will be opportunities for further gains from stronger integration and collaboration across content divisions, we believe that the opportunity for genuine productivity savings¹ in this new period will be less than in the current programme.

We have decided therefore to limit the average annual productivity target in the divisions that directly create programmes and services for audiences to an average of 2.5% per year. This 2.5% compares with a current productivity programme which is delivering more than 3.5% per year in content areas. Given the gains already made, however, this lower target will still prove challenging: we recognise that we will need to monitor output continuously throughout the period to ensure that we are achieving true productivity gains and not diluting quality.

Lower productivity targets in content divisions will be balanced by deeper savings across the BBC's overhead and support areas—with 25% reductions for all targetable cost lines. These savings are already being delivered in many support areas where 20% staff reductions are expected to be completed within the next 18 months. The steps we are taking or planning to take are set out in detail below but they include: reducing senior manager numbers to around 1% of BBC staff; limiting senior management pay and adopting some of the key recommendations of the Hutton report; shrinking the BBC's property estate substantially; seeking significant savings in external contracts and reducing the cost of licence fee collection and boosting net receipts. Following its transformation over the last three years, we will seek new ideas and potentially external investment for our resources business BBC Studios & Post-Production.

These productivity changes across the BBC will save at least £400m p.a. by 2016/17—11% of the licence fee. But, taken together, these productivity plans on their own still leave the BBC well short of the licence fee savings target, let alone our own stretch goal of 20%. This is why we have also had to consider reductions in the *scope* of the BBC.

The scope challenge

In looking at the scope of BBC output (that is, the programmes and services that we provide for audiences) we began by looking closely at the possibility of shutting one or more services entirely. We analysed the potential effect of such a closure both on delivered public value and on audience usage and satisfaction levels. The clear conclusion was that all BBC services are valued by their audiences and play an important part in delivering the BBC's universal public service mission.

¹ I.e., using new technology or new ways of working to deliver a given programme or service at the same or higher quality for less money.

There is an important financial consideration as well. The BBC pays for distribution costs across entire portfolios of radio and TV services; most of these costs would not reduce if one service was closed. Many other underlying costs would also remain the same and would have to be re-allocated to surviving services. For these reasons, the net cash savings of closing a TV or radio service would be substantially lower than the service licence budget. (The decision to share Formula One motor-racing rights with BSkyB, for example, will save the BBC more cash between now and the end of the Charter than we would have saved by shutting one of the smaller TV channels.) We therefore concluded that service closures also represented poor value for money.

Instead, we have opted for what we believe to be a better approach, but one that still represents genuine scope reduction rather than further efficiency targets in disguise. In making these choices and finding savings, the five editorial priorities defined by the Director-General have been our guide: we will be spending proportionately more of the licence fee on them by the end of the Charter. The approach has involved two different kinds of scope reduction:

1. *Concentrating licence fee spend on the things which the public most expect from us* (news; children's services; original UK drama and comedy; an outstanding contribution to knowledge, learning, music and culture; the events that bring communities and the nation together) while reducing spend on other kinds of output by c30% and reducing distribution costs. This means:
 - A 15% reduction in the BBC's sports right budget (including the decision to share the rights for Formula One with BSkyB, and reductions to some smaller sports events)
 - A 25% reduction in the budget for bbc.co.uk and a radical refocus for the website, a decision already approved by the BBC Trust which is now being implemented
 - A reduction in the acquired film and series budget on BBC television, further to the planned reductions announced as part of *Putting Quality First*
 - Reductions in entertainment programmes which have lower impact than the big events on BBC One, as well as some entertainment on BBC Two
 - Reductions to outreach activity
 - Continuing the shift away from legacy distribution systems to digital: with a phased reduction of broadcast Red Button services down to one stream on every platform after the Olympics; reducing Medium Wave; and beginning to plan our long-term transition from Long Wave
 - Closing the BBC HD channel and replacing it with a single version of BBC Two in high definition
 - Conducting an external assessment of the BBC's performing groups to explore opportunities for scope as well as efficiency savings.
2. *Focusing investment on flagship services and on the times of day when the public most use our services:*
 - Making structural reductions in the budgets and volume of commissioned hours of late-night and overnight output on television and radio services where audience usage is lowest
 - Running only one originated general daytime schedule by shifting all new daytime programming to BBC One so that BBC Two offers additional windows to outstanding peak

programmes and gives UK audiences a chance to watch more of the BBC's international current affairs, as well as continuing its commitment to live sport

- BBC Four playing a more complementary role to BBC Two, and making BBC Three more explicitly a place to nurture talent for BBC One. In both cases, the digital-only channels will coordinate their commissioning and the windowing of their content more closely with their respective core channels
- Similarly, forging much closer links between digital radio stations and their parent networks, building on the successful collaborations between Radio 1/1Xtra and Radio 4/4 Extra
- Reducing the originated hours of some programming across the BBC's radio networks, such as some comedy on Radio 2 and Radio 5 Live as well as fewer lunchtime concerts on Radio 3
- A new, more focused Asian Network with a service licence budget reduction of 34% (excluding productivity)
- Sharing more content between services: using multiple showings on television and radio to offer more chances to view and listen to BBC programmes; bringing more television and radio programming from Scotland, Wales and Northern Ireland to audiences across the UK
- Sharing some local radio content regionally in the afternoons and across England in the evening; sharing regional current affairs output on television across larger areas
- Ending the short 3pm BBC One news summary and separate bulletins on some radio stations and focusing the News Channel more squarely on breaking news.

Overall content scope savings total c£205m p.a. by 2016/17 (c6% of licence fee spend). In considering scope reductions we have sought to shield areas which we deem to be of exceptional public value. These areas will still be asked to look for productivity savings—in other words, opportunities to use new production technology or other improvements to deliver savings without reducing quality or originality—but their underlying budgets will be significantly protected. They include:

- BBC One, where the underlying budget will fall by only 3% over the period
- Radio 4, where the underlying programme budget will stay stable over the period
- The BBC's children's television services, where we are protecting the recently increased budget for new programming
- BBC News, where scope savings are low though there will be challenging productivity targets
- In Scotland, Wales and Northern Ireland, where there will be significant new investment from the continuing growth in production for the BBC's television networks. While network production budgets are reduced in London and parts of England, we expect the 17% target for network television programmes to be produced across Scotland, Wales and Northern Ireland to be met earlier than 2016 and exceeded by the end of the Charter, bringing millions of pounds of new network commissions across Wales, Northern Ireland and Scotland. A strong emphasis on overhead savings will limit scope reductions to services in these locations to 5% overall. By 2016, therefore, the proportion of the licence fee spent in these areas will be significantly higher than it is today.

A smaller and radically reshaped BBC

We can achieve this plan only by embarking on the most far-reaching transformation in our history. This involves painful choices for the BBC, including significant job losses at every level of the organisation. By 2016, the BBC will be significantly smaller than it is today; employing fewer people; occupying far less space; and spending less money both absolutely and as a proportion of the UK broadcasting industry. But we believe that by improving its effectiveness, harnessing new technologies and driving new internal and external partnerships, the BBC's positive impact—for audiences but also for the UK economy—will actually increase.

Overall across the BBC, the aggregate impact of our plan will be as follows:

- An estimated net loss of around 2,000 posts across the BBC. The final number will depend on several factors, including the level of reform to our conditions of employment. The jobs will not be lost in one go but across the next five years and, as always, we will seek wherever possible to implement the reductions through turnover, redeployment and voluntary redundancy. These job losses are over and above any remaining post closures in the current efficiency programme
- A much smaller property estate, including a phased but full exit for the BBC's public services from their current home in West London
- Leaner, flatter management structures, moving as quickly as possible to no more than five layers between the Director-General and the most junior member of staff. This means, for instance, removing an entire layer in management in some areas of radio production
- A further reduction in the proportion of senior leaders in the organisation to around 1% of BBC staff
- Modernised terms and conditions that encourage flexibility and reward performance, including:
 - Reform of the complex and outdated unpredictability allowances, which no longer reflect the way most staff work today
 - Replacement of the current grading system with far simpler job families and career levels, better aligned to the different labour markets in which the BBC operates
 - Reform of redundancy entitlements to align better with industry practice

Consultation will begin in October 2011 with 18 months before full implementation.

- A revolution in the BBC's ways of working, deploying new digital production technologies across the organisation, reducing duplication and bringing teams with complementary skills and output together. This will include:
 - Uniting BBC News and the World Service (when funded by the licence fee) to create a single, integrated newsgathering operation with 95 locations across the world: One BBC News
 - A single UK network production economy bringing together network television production across the UK: One BBC Production

- Far closer coordination of commissioning and production across BBC radio and television in two key genres to move towards One BBC Music and One BBC Science.
- A further significant shift of spend and activity from London to the North of England as well as to Scotland, Wales and Northern Ireland. At least another 1,000 staff will move to Salford by the end of the Charter. The majority will come from corporate and support divisions but there will be some additional programme moves, including *You and Yours*. After a period of intense focus on developing and co-ordinating the portfolio of television channels, BBC Three will move to Salford by the end of the Charter.

Investing in digital public space—and reinvesting in quality

By 2016/17, the BBC's ambitions to make great content will be as high as ever. Our challenge is how to bring that content to everyone, young and old, digital and analogue, linear and on-demand, in a period of limited funds and fast-changing technology. We believe we can do this by continuing the BBC's long tradition of excellence and innovation in new media and by using our considerable expertise in broadcasting research and development.

By targeting higher savings than the 16% required in the licence fee settlement, we have been able to create a £145m p.a. reinvestment fund by 2016/17, though the final value of this fund will depend on realising all proposed savings and on the BBC's ability to mitigate other risks to its finances. High priorities on the list for reinvestment include:

- A digital innovation fund of c£40m p.a. to support the BBC's vision for connected broadcasting and the digital archive. This vision has a number of elements; where necessary, we will bring proposals to the BBC Trust for formal regulatory consideration
 - Four screens, One BBC: allowing all audiences to consume BBC content seamlessly as 'one service' uniting BBC channels, networks and online content across four screens of the digital age: televisions, tablets, mobiles and computers
 - Permanent access wherever possible: continuing our work to put the BBC's rich back-catalogue online by a mix of public and commercial means
 - Supporting wider public space with a growing number of partnerships with other public bodies and commercial media
 - A renewed commitment to use the BBC's funding, brand and technology to help drive economic growth across the UK: sharing our technical platforms, data and code with the industry in support of a more digitally creative UK, where contracts and regulations make it possible.
- Drama and comedy for BBC One; and serious science, history, business, arts and natural history programmes for BBC Two and BBC Four
- Newsgathering in core global priority areas and in local and regional newsgathering around the UK
- BBC World News to strengthen the quality and reputation of the service, subject to appropriate regulatory clearance
- An increased investigations fund for *Panorama*
- Investment in more Radio 4 landmark output like *A History of the World in 100 Objects*

- Additional funding to protect the quality of the BBC Proms
- The rollout in HD of BBC One Scotland, Wales and Northern Ireland, and the further roll-out of the BBC's national DAB multiplex to 97% coverage of the population.

The figures in summary

This is a plan that maximises savings from the way the BBC operates and minimises the impact on the BBC's programmes and services. The BBC's licence fee income at the beginning of the period is projected to be £3,500m. The 16% target agreed with the Government would therefore require c£555m p.a. of savings on this income; the Director-General's additional 4% challenge would release an additional c£145m p.a. for reinvestment—a total of £700m p.a. of savings by 2016/17.

This plan has identified £670m p.a. of new savings—equivalent to 19% on the licence fee base of £3,500m. These savings are made up as follows:

- Making productivity savings of 11% of the licence fee, or £400m p.a.
- Keeping scope reductions to just 6% of the licence fee, or £205m p.a.
- Targeting additional funding from commercial operations of at least £40m p.a. and finding additional savings from, for example, tighter management of working capital across the BBC Group of c£25m p.a.—2% of the licence fee taken together.

However, additional savings that we have achieved beyond our original targets in the current efficiency programme mean that we are confident that this plan will meet the Director-General's goal of 20%.

After scope savings and reinvestment (but excluding productivity savings), we anticipate that underlying spend in news and children's will rise, while spend on major events and factual programming will fall slightly. Savings of c30% will be made in other content spend.

All other things being equal, we would expect the reach of the BBC's portfolio of services and the high scores the public currently give the Corporation for the quality of its services to be maintained, or even to increase, though there is likely to be a slight decrease in the total time spent with the BBC per user across all demographic groups. Given that the licence fee will remain nominally constant at £145.50 and will therefore fall significantly in real terms, the value for money of the BBC will rise.

Overall, this plan will allow the BBC to continue to deliver a broad and formidable array of high-quality services. Success will be measured not just by the popularity or excellence of our own services but also by our ability to support the wider industry and public space as a whole. The result will be a leaner but still strong BBC, committed to bringing the best to everyone.

PROPOSALS IN DETAIL

The proposals in this paper have been drawn up after an extensive nine-month project involving many hundreds of BBC staff. This has drawn on insight and guidance from our audiences and from many players in the wider industry as well as involving many thousands of colleagues inside the BBC in the conversation about the BBC's future. Across all the proposals, three consistent themes have emerged which form, in effect, a three-part plan to 2016:

Section 1 The productivity challenge: adopting a new operating model to improve value for money and release funding for programmes and services

Section 2 The scope challenge: ensuring that our services focus on the BBC's five editorial priorities (*the best journalism in the world; inspiring knowledge, music and culture; ambitious UK drama and comedy; outstanding children's content; and events that bring the nation together*) and concentrating investment on flagship services and on the times of day when the public most use our services

Section 3 Investing in digital public space—and reinvesting in quality: investing c£145m p.a. by 2016/17 in new content and digital innovation, creating a connected, global and continuously available BBC across platforms and devices.

This paper should be read in tandem with the BBC Trust's accompanying consultation document which gives further detail on changes to BBC services.

I THE PRODUCTIVITY CHALLENGE

Today the BBC is investing to transform the way it produces content and to bring the benefits and efficiencies of end-to-end digital production to its output. But neither the digital revolution nor the need for the BBC to pursue the goal of higher quality at lower cost will end in 2013. We are planning now, therefore, for the next wave of technological change and for more radical improvements in efficiency. In content production, the BBC will continue to use smarter technology, improved connectivity and multi-platform working to produce content of the same quality at lower cost. But future content efficiencies will be targeted carefully: for, after more than two decades of year-on-year efficiencies, some programme budgets cannot be reduced much further without damaging quality.

A critical focus, therefore, will also need to be on overhead and infrastructure costs. During the next licence fee period, up to 2016/17, we will reduce the addressable costs of running the BBC by a further quarter. This should involve a step-change towards simplicity in the BBC's operations and structure, dismantling the remaining elements of its traditional hierarchy and replacing them with a flatter, more dynamic and flexible structure that reflects the nature of the BBC's new challenges: wholly focused on serving the public with fewer management layers; better team-working and pan-BBC collaboration; and stronger performance management.

We expect these proposals to produce a number of tangible and measurable outcomes:

- c£400m of annual savings by 2016/17

- Together with the scope changes outlined in section 2, the loss of around 2,000 posts across the BBC
- A much smaller property estate, including a phased but full exit for the BBC's public services from their home in West London
- Leaner, flatter management structures, moving as quickly as possible to no more than five layers between the Director-General and the most junior member of staff
- A further reduction in the proportion of senior leaders in the organisation to around 1% of BBC staff
- Modernised terms and conditions that encourage flexibility and reward high performance
- A revolution in the BBC's ways of working, deploying new digital production technologies across the Corporation, reducing duplication and bringing teams with complementary skills and output together
- A further significant shift of spend and activity from London to the North of England as well as to Scotland, Wales and Northern Ireland.

We have organised our productivity proposals into five broad themes that will characterise the ways we want the BBC to operate by 2016:

1. How we work: *a flexible workforce*
2. Enabling our work: *simpler systems and effective technology*
3. Managing our work: *reductions to management and governance, and more effective external purchasing*
4. Rewarding our work: *a fair, modern deal for BBC staff*
5. Where we work: *stronger production centres in fewer locations.*

1.1 A flexible workforce

Over the current licence fee period, the BBC has been investing in digital infrastructure across the UK, with state-of-the-art digital production bases in, for instance, Glasgow, Salford, Cardiff and London. We can now reap the benefits of this investment through reinventing the way we make programmes and deploy our staff. For instance, for the first time in the BBC's history, key network and global services in television, radio, news and online can be brought together in a single site—centred on the iconic Broadcasting House, reinvented, like the BBC itself, for the digital age. Under this one roof, these previously separated teams will work together to deliver the vision of 'one BBC'—a simpler, more integrated digital service for our audiences to use and enjoy, and a simpler, more creative environment for our staff to work in.

These new ways of working include:

- Giving staff the skills and opportunities to move across different parts of the BBC much more than today, with initiatives for both staff and leaders to make sure this happens. To facilitate this, we will introduce a pan-BBC 'career passport' to enable staff to take personal accountability for the breadth and range of their careers

- Deploying staff and production facilities more effectively through more co-ordinated planning, particularly across the different UK production bases. As part of this, we will bring the operations of network television production across the UK together into one single ‘network economy’ so we can manage talent, staff, studios and technology better
- Reducing duplication by bringing teams with complementary output and skills together, e.g., through bringing UK and Global News together in the new Broadcasting House and creating consolidated teams for studios and graphics
- Extending digital production tools to all areas of TV production and making production processes more consistent across departments that make similar programmes. This will unleash the full value of the new digital production tools that the BBC has invested in. For example, the BBC’s ‘Fabric’ digital television production tool means a transformation in the way programme-makers are expected to work: from navigating unwieldy tape-based archives to instantly accessing a web-based library of creative resource; from manipulating complex editing equipment to publishing multiplatform content directly from the desktop; from inflexible location-based working to hot-desking and home-working with web-based tools; from carefully controlling a single, vital master tape to simultaneous working across multiple versions. As these tools are rolled out across the BBC, we will be able to drive more consistent and standardised practices everywhere
- Reducing the BBC’s central support functions by 25%—with higher and earlier targets than the rest of the organisation. In the BBC’s support areas this means over 20% job reductions over the next 18 months.

Savings in these areas are projected to be c£141m p.a. by 2016/17.

1.2 Simpler systems and more effective technology

Technology is a key enabler for many of the BBC’s editorial ambitions—without technology, there would be no programmes and services. To maintain its technology infrastructure with constrained funding, the BBC needs to adopt a different approach to its provision: reducing the range of systems it operates and supports, and simplifying broadcast operations like digital playout. This means:

- Reducing the BBC’s reliance on creating its own bespoke systems by using industry-standard solutions, thereby also reducing the costs of maintenance and support
- Simpler networks and infrastructure serving BBC staff and buildings
- Introducing new, simple technologies that help support more flexible working for staff and to provide standard interfaces for external suppliers
- Streamlined service, maintenance requirements and organisational models
- Using fewer centres to play out BBC programmes and services
- Better long-term supply contracts in technology, particularly when the BBC’s current outsourced technology agreement comes to an end in 2015
- Using technology to reduce property costs wherever possible, including reducing energy consumption.

Savings in these areas are projected to be c£53m p.a. by 2016/17.

1.3 Reductions to management and governance and more effective external purchasing

A central part of the BBC's productivity proposals is a smaller and simpler set of management structures and operations. Commitments include:

- Leaner, flatter management structures, moving as quickly as possible to no more than five layers between the Director-General and the most junior member of staff. This principle is being used in all restructurings across the BBC
- Smaller management teams across the BBC and increased sharing of back-office services, for example by sharing station sound and administration teams across English local radio and by bringing together back-office teams across Radio 1 and Radio 2, such as in live events
- Further reductions to the proportion of senior leaders in the organisation, to around 1% of BBC staff. As part of this, by the end of 2011 around 150 senior managers will have left the BBC, a reduction of 20% in headcount and 25% in cost; we plan further steps beyond this to meet the 1% target
- Streamlined governance and compliance processes. For example, this will mean allowing greater spending authority lower down within the organisation; simplifying the BBC's complaints processes; and providing more co-ordinated legal and editorial advice to programme-makers
- Better value from external contracts. With over £2bn of external spend, the BBC must work effectively with suppliers to ensure that products and services can be delivered at lower cost. We believe we can achieve the same for less in external purchasing: including through consolidating spend in fewer suppliers; achieving keener pricing as markets become more competitive and efficient; outsourcing some indirect categories of spend to managed service providers (as we have already done for transport, print and temporary staff); and challenging BBC staff to reduce demand for outsourced services.

Savings in these areas are projected to be c£141m p.a. by 2016/17.

1.4 A fair, modern deal for BBC staff

Over the last nine months, thousands of BBC staff have been consulted in open meetings, workshops and online discussions. These staff sessions have revealed concern over inconsistent and unfair terms and conditions, and frustration about the lack of performance management.

To achieve a fair and transparent pay structure, we will need to reform and review many individual elements of our system, including grading, salary ranges, allowances, conditions of service and salary progression. Reform of pay and conditions will be complex and will require detailed involvement from managers, staff and unions, and so we plan to phase this project over the next two years. These changes will be difficult, but we are committed to ensuring that we minimise the impact on individuals' earnings and take proper account of previously accrued benefits.

Core areas of focus are as follows:

- We will replace the current grading system and salary ranges with a new structure built on the skills needed for each role—a ‘job family’ system that is simpler and better aligned to the career steps in each area of the BBC: production, journalism, technology, professional support, etc.
- We need to make sure that our pay ranges at all levels reflect the market, albeit at a substantial discount for senior staff. That may mean that in future years and in some areas of the BBC we will be able to offer entry-level salaries at a lower rate than currently
- We will propose reform to the BBC’s complex and outdated allowances for unpredictable working which no longer reflect the way most staff work today
- We propose to reform redundancy terms for new joiners as quickly as possible, and we will consult with current staff to explore alternative redundancy terms and transition options for the current workforce. As far as possible, we want to explore transition options for current staff that protect redundancy entitlements that have already been accrued
- We want to reduce the current six months’ consultation for compulsory redundancies and revert to the statutory consultation periods for redundancies (up to 90 days depending on the numbers involved)
- We will expect managers to focus on proper performance management, through a revised approach to feedback and appraisals, and more effective management of individual performance in the job.

We intend to consult widely with staff and unions before finalising our approach and there will be 18 months before full implementation. Savings in these areas are projected to be c£17m p.a. by 2016/17, including £13m related to the proposed changes to terms and conditions.

1.5 Stronger production centres in fewer locations

As new buildings are completed in Salford and London, and with the number of BBC staff expected to reduce over the next five to seven years, it is clear that there is significant excess capacity in the BBC estate. A smaller property estate will not only release savings (c£47m p.a. by 2016/17), but also support our ambition to increase the creative strength and sustainability of the BBC’s major production centres across the UK. Significant changes include:

- A phased exit from the BBC’s fifty-year presence in West London, beginning with Television Centre but also eventually including the White City campus. Consequently, Broadcasting House would become the primary BBC site in London; the population in Salford would expand significantly; and both Pacific Quay and Cardiff would likely see some marginal increases in population. Bristol would remain the home of the Natural History Unit and partner with Wales as a centre for features and documentaries
- Factual programming for BBC television and Radio 4 would be moved out of Birmingham and consolidated largely to Bristol and Cardiff, though television production investment with independent producers in the Midlands would increase. Substantial network television drama (e.g., *Doctors*, *Land Girls*) and radio drama (*The Archers*) would continue in Birmingham alongside the BBC’s local and regional services

- This strategy would enable the BBC's public services to exit the entire West London campus over the next few years. Outside major centres, investment in technology and consolidation of assets should also enable the BBC to merge a number of district offices in the English Regions
- There will be a further migration from London to Salford with at least another 1,000 staff to move by the end of the Charter. The majority will come from corporate and support divisions but there will be some additional programme moves, including *You and Yours*. After a period of intense focus on developing and co-ordinating the portfolio of television channels, BBC Three will move to Salford in 2016.

In total, these productivity changes across the BBC will save at least £400m p.a. by 2016/17—11% of the licence fee. Within this figure, we will be making 25% savings in non-content areas, excluding long-term distribution, technology and property contracts, and 10% productivity savings in content areas.

As we implement these plans, if we believe there is a risk that true productivity gains are not possible, we will reduce or eliminate that particular target and seek savings elsewhere. At the mid-point (around 2014), we will review the whole transformation programme to ensure it has delivered and not undermined the quality of the BBC's output.

2 THE SCOPE CHALLENGE

While we have done everything we can to avoid cuts to programmes and services, it is not possible to meet the savings challenge through productivity gains alone.

The scope proposals have been arrived at after an extensive review of the options. Thorough examination of the audience consumption, public value and economics of each of the BBC's services has convinced us that there is no BBC service which is not significantly valued by the public or which does not contribute substantially to the BBC's overall public service mission. We therefore concluded that the £205m p.a. savings delivered by the set of scope reductions proposed below represent better value for money and would damage our service to licence fee payers less than outright closures. This is because:

- Distribution and infrastructure costs span multiple services and do not reduce if single services are closed; the cash saving from cutting a service is therefore far less than the total service licence budget
- A comparison demonstrated that other reductions (e.g., in off-peak and overnight spend) would yield cash savings more efficiently and would do less damage to consumption and perceived value. For example, the cash saving in the remainder of the Charter period arising from the single decision to share the TV rights for Formula One is estimated to be greater than the actual cash the BBC could save, for instance, from closing one of the smaller television channels
- Although some licence fee payers do sometimes suggest that BBC services they do *not* use could be closed, we found none who proposed the closure of any of the channels or stations they *do* use. An overwhelming majority believed efficiency savings should be the BBC's first priority, and that scope reductions should, above all, be fair and not disproportionately affect particular audiences (including themselves) or particular services².

However, the proposals call for some changes to some services to reflect a focus on core activities and to maintain the distinctiveness and quality of the BBC's flagship networks. These proposals are divided into two areas:

1. Concentrating licence fee spend on the output which the public most expect from us (news; children's services; original UK drama and comedy; an outstanding contribution to knowledge, learning, music and culture; the events that bring communities and the nation together). There will also be savings in the BBC's distribution spend as we ramp down outdated or transitional transmission technologies
2. Focusing investment on flagship services and on the times of day when the public most use our services, and reducing spend on off-peak times and the smaller members of the television and radio portfolios.

2.1 Concentrating licence fee spend on the five editorial priorities

Last year the Director-General set out five editorial priorities that, endorsed by the Trust, define what 'putting quality first' means in practice for the BBC. The proposals set out here devote a

² Ipsos MORI for the BBC, October 2011

rising percentage of BBC spend to these priorities, along with proposals to increase their quality and impact on the BBC's core services.

2.1.1 The best journalism in the world

Both in the UK and around the world, the BBC is more closely associated with news than with any other genre. The standards, breadth and timeliness of its news output form the bedrock of the trust placed in the Corporation, as well as the single-best exemplar of the values it lives by. Providing 'the best journalism in the world' is therefore the BBC's first editorial priority.

The BBC's ambition is to continue to be the standard-bearer for accurate, timely, impartial and wide-ranging journalism within the UK and across the world. It will therefore sustain its commitment to its core journalistic output including live breaking news; daily built programming such as the main news bulletins, *Newsnight*, *Daily Politics* and daily sequences on radio (such as *Today*); and current affairs, including *Panorama*, *Question Time* and broad international coverage.

We propose to change some output to focus on the key drivers of audience value. On the News Channel, spend not dedicated to core and breaking news stories will be reduced: the channel will appear unchanged during major breaking stories but more material will be repeated (e.g., from Scotland, Wales, Northern Ireland and the English Regions) during times of lower demand and there will be fewer broadcast events from around the UK. The editorial challenge will be to ensure the channel stays relevant and retains its significantly increased audience.

There will be limited reductions in current affairs across television and Radio 4 but there will be more international current affairs on BBC television and the investigations fund for *Panorama* will be increased significantly. The networked *Politics Show* on a Sunday will be relaunched as part of the *Daily Politics* strand including an in-depth head-to-head interview and continued opt-outs; the regional current affairs programme *Inside Out* will be shared across larger regions, though its investigations budget will be protected. News bulletins and flagship strands in Scotland, Wales and Northern Ireland will be protected but there will be a small reduction in other output. There will also be reductions in a smaller number of areas which do not contribute significantly to the BBC's journalistic mission or where spend is disproportionate to the value currently delivered. These include stopping the mid-morning and 3pm BBC One summaries, and ending separate news bulletins on Radio 1Xtra (outside breakfast) which will take a version of Radio 1's News output (this approach is already planned for 6 Music and Radio 2). Similarly, in future Radio 3 will use shorter versions of the Radio 4 bulletins.

Bringing together the World Service and BBC News provides an unprecedented opportunity to create a single newsgathering operation with a BBC presence in 95 locations—delivering savings while still enabling the BBC to report breaking news from around the world. Realising the full benefits of this integration is a long-term project given that full integration cannot start until the World Service comes into licence fee funding and must protect its unique identity and particular requirements. It will also take time to build the capability of local language staff who will be reporting for both UK and international audiences. There will be some targeted reductions in the newsgathering operation (e.g., in bespoke business coverage) and the closure of some overseas locations where we will endeavour to use partnerships, staff from other bureaux and stringers to continue coverage. Through this process, we will retain the best of our foreign correspondent talent and will use some of them in the new posts we will be creating through our investment in emerging nations and global priority areas. In the UK, English Regions reporters will increasingly file for network, with deployments co-ordinated across the country.

Scope savings in news total c£24m p.a. by 2016/17. Given its importance to the BBC's mission and purposes, this editorial priority will benefit significantly from reinvestment (see section 3).

2.1.2 Inspiring knowledge, music and culture

The BBC's role in knowledge-building, music, culture and the arts is as important as ever in the digital age. Proposals under this editorial priority aim to increase quality and impact while reducing volume and creating more clarity within the television and radio portfolios. Some critical parts of the portfolio remain protected, including BBC One's role in natural history, popular science, arts and documentary; and Radio 4, where limited decommissions are compensated for by equivalent reinvestment.

In the television portfolio, BBC Two and BBC Four will remain at the heart of the BBC's delivery of this editorial priority, but we believe that by close alignment and complementary commissioning between the two it is possible to make savings while preserving the distinctive identities of both channels. BBC Two will take the lead in bringing serious and ambitious science, history, business and natural history programmes to a broad audience, while BBC Four will take the lead in the delivery of arts, music, ideas and culture in its broadest sense, including the creative and distinctive documentaries (such as *Storyville*) that have helped to give the channel its unique character. These genres will also be a priority for new investment across both channels.

On radio, we propose a limited adjustment to network remits and spend: reducing overall talent costs on Radio 1 and Radio 2; removing music opts for Scotland, Wales and Northern Ireland on Radio 1; and some reductions to live music and music talks on Radio 3. Radio services in Scotland, Wales and Northern Ireland would be simplified by reducing spend on off-peak and weekend schedules.

In total, scope savings in these genres reach c£37m p.a. by 2016/17.

2.1.3 Ambitious UK drama and comedy

Audience perceptions of quality on the BBC are more heavily shaped by drama than by any other single area of output. The BBC's role in original UK drama and comedy is critical both for audiences and for the wider industry that support these genres, as well as helping drive export success abroad. Output in this editorial priority area will therefore be protected relative to other areas and reinvestment funding has been identified to support its delivery in the future.

BBC One will maintain its existing strategy in UK drama and comedy. It will increase the quality of portrayal of UK audiences in these key genres and will be a priority for new investment. BBC Two is on a strategy of growth in investment in its core drama offer from £15m in 2009 to £23m in 2012/13. We propose this level should be maintained and potentially increased. BBC Two will be the home of authored, original UK drama and the showcase for BBC Films but there will be a reduction in comedy entertainment on the channel.

BBC Three has already proven its ability to develop new ideas and talent targeted at young audiences that can transfer to BBC One and Two, in particular in comedy. However, in line with the focus on the BBC's core services, around a third of its drama funding will transfer to BBC One. In future, BBC Three will have a more explicit remit to develop talent and formats for that channel. BBC Four's highly valued role in offering the best of foreign language drama and film from across the world (such as *The Killing*) will be protected, as will its distinctive contribution to UK comedy. Its investment in original UK drama will reduce as BBC Two's new drama strategy

matures. BBC Four will also continue its role as gateway to the BBC's television archive, curating the best drama and comedy from the past.

On radio, drama will remain a unique offering on both Radio 3 and Radio 4 but with reductions in volume; reinvestment funding will support major landmark output in this editorial priority on Radio 4 (e.g., *Life and Fate* and *Bloomsday*). The current limited comedy offer on Radio 5 Live will be scaled back, the volume of comedy on Radio 2 reduced and there will be a reduction in the commissioning budget of Radio 4 Extra. Radio 4 comedy will be unaffected.

In total, we propose scope savings in drama and comedy of c£37m p.a. by 2016/17, though as a key driver of audience appreciation an equivalent sum of reinvestment has been identified for BBC One and BBC Two in particular (see section 3). The net scope of comedy and drama across the BBC should therefore remain the same.

2.1.4 Outstanding children's content

The BBC's provision of content that helps children understand the world and makes them laugh—all within a trusted 'safe space' free of advertising—is more unique than ever. Over the current licence fee period, children's output has already benefited from additional investment of c£25m.

The BBC proposes to protect this increased children's UK origination budget from any reductions, and so the proportion of the licence fee spent on children's output will rise further. An element of digital reinvestment (see section 3) would be ring-fenced for innovation in children's content for the connected TV audience.

The 'terrestrial blocks' of children's content on BBC One and Two now contribute only a small fraction of the reach and consumption of CBBC and CBeebies. Once digital switchover is complete and all households have access to the children's channels, we believe there is a strong case to phase the blocks out as part of the restructuring of BBC daytime television, with savings in repeat costs. Audience research so far has not revealed any opposition to the proposals, including from parents. However, this is a decision that does not need to be made immediately and remains subject to further audience testing.

The highly interactive and dynamic nature of children's content makes it an ideal area for digital innovation. Indeed, by 2016 the BBC may look to a 'digital first' strategy for the genre—whereby the TV channels are the spine of a wider, more integrated offer across online and internet-connected television. This is happening to some extent already, but not yet to the point of a truly united offer on- and offline.

2.1.5 Events that bring communities and the nation together

The BBC has a unique responsibility to reflect the great moments in national life, through the range of the events it supports; its presence across TV, radio and digital media; and its reach across the UK. However, the BBC's spend on sport in particular is larger than any other genre except news. Under this plan, BBC One would be protected as the home of major national events and landmark entertainment. There would be a significant reduction in the BBC's sports rights budget resulting in changes to the BBC's sports portfolio, though not to listed events or to sports that genuinely bring the nation together, many of them the BBC's crown jewels. This reduction is therefore shown under section 2.1.6. There will also be some reductions in local sports coverage in Scotland, Wales and Northern Ireland.

Entertainment, meanwhile, also has the ability to draw the nation together in a way that few other genres can—from national events like *Comic Relief*, *Sport Relief* or *Children in Need* to the finals of *Strictly Come Dancing*. The attraction and value of BBC One as a destination for entertainment has not waned, but the evidence suggests that the BBC needs to continue to refresh and upgrade its programmes if it is to keep up with the best. To do this, we will keep BBC One a home for ‘big experiences for big audiences’ through the scale and ambition of its Saturday night entertainment, ensuring its shows can continue to have impact with broad audiences and fuel the national conversation.

BBC management has commissioned an external assessment of the BBC’s orchestras and singers, to explore opportunities for scope as well as efficiency savings. Separately, to protect the quality of the BBC’s biggest musical event against rising costs, the BBC would invest additional funding in the Proms.

Total savings in this editorial priority would be c£13m p.a. by 2016/17.

2.1.6 Content spend outside the editorial priority areas

The BBC makes content in a small number of areas not captured by the five editorial priorities, including acquisitions, off-peak and non-event entertainment, and other sports events. Substantial savings of £73m p.a. have been identified in these areas. These savings involve the already announced sharing of Formula One; reduced entertainment spend in television; and a further reduction in the acquired film and series budget spend on BBC One, Two and Three.

2.1.7 Reductions in transmission spend

The cost of transmitting the BBC’s services is predicted to rise significantly as platforms proliferate, which in turn reduces the amount we can spend on content. The BBC must aim to contain these costs wherever possible while continuing the journey to a fully digital future. This will involve some difficult choices, particularly as we ramp down outdated or transitional transmission technologies. We therefore propose:

- A phased reduction of broadcast Red Button services, reducing the number of interactive streams to one across all platforms and exploring the longer-term transition to IPTV technologies
- Closing the BBC HD channel and replacing it with a single version of BBC Two in high definition
- Reductions to Medium Wave transmissions for local radio in England in places where coverage duplicates FM
- We are reviewing the number of regional variants in England we carry on digital satellite and intend to reduce this to enable savings in distribution costs, though these programmes would continue to be transmitted on Freeview
- No re-investment in Long Wave once the current infrastructure—which relies on technology that is no longer being manufactured—has reached the end of its life. In the long term, this will result in the end of Radio 4 on LW, although we do not expect the transmitters to fail in the current Charter period. If they do fail suddenly, we are committed to safeguarding the programming on Radio 4 LW and will use our analogue services to provide continued coverage.

Total savings from these distribution changes would be c£21m p.a. by 2016/17.

The BBC Trust has set a principle of universal access to BBC services—that is, that the BBC should seek to ensure that every household should have convenient access to each relevant BBC service, free at the point of use. Our proposals in this paper will support this ambition. Our analysis has also emphasised the critical role the BBC’s Research and Development team will play in supporting public space and we will safeguard R&D funding for the Charter period.

2.2 Focusing investment on flagship services and peak-time output

The BBC makes hundreds of hours of output every day. Too much of it is still only broadcast once, even in genres (such as television drama) where carefully planned re-showings have been proven to add value for audiences. This plan proposes to extract greater value from the BBC’s investment in content, both by ensuring that audiences have proper opportunities to engage with output and by making sure that content investment is targeted at those parts of the schedule that deliver most impact. Across the BBC, this will mean:

- Sharing more content between services by using multiple showings on television and radio more effectively. On the most critical services we believe these changes will not be noticeable, with increases in repeat rates of around one percentage point, for instance, for BBC One peak-time and Radio 4
- Bringing more television programming and radio output made specifically for Scotland, Wales and Northern Ireland to UK audiences with a ‘fewer, bigger, better’ strategy for opt-out programming in general. Today, very little television output from these parts of the UK is shown to the rest of the country and there is significant scope to bring more output like *A History of Scotland* and *Coal House* to audiences around the UK
- Reduced late evening and overnight output on television and radio services where audience usage is lowest
- Sharing some local radio content regionally in the afternoons and across England in the evening. The key times of breakfast, mornings and drive-time will not share content, and at all times of day we will continue to provide local news and information
- Shifting all new general daytime programming to BBC One. The programmes which used to be scheduled on BBC Two in the afternoon will move to BBC One into the slots vacated by the proposed move of children’s programmes. On BBC Two, there will be international current affairs programmes at lunchtime, but elsewhere during the morning and in the afternoon the channel will showcase mainly factual programmes, including science, history, natural history and the arts, previously shown at peak time
- Creating closer connections between the BBC’s flagship services and other smaller channels in the television and radio portfolios, so that spend can be reduced on some digital channels without a significant impact on quality. Digital radio services are already following the same pattern, with the successful launch of BBC Radio 4 Extra demonstrating the effectiveness of these closer relationships
- Reducing the service licence budget for the Asian Network by 34% (excluding productivity) in line with the ambition to increase performance and bring down the cost per listener hour of the service. The new, more focused Asian Network would be built around six distinctive content areas: news, music / entertainment, Asian culture, discussion, languages and specialist

music. We would stop drama and documentary content whilst simplifying the schedule with fewer, longer programmes.

The financial impact of these proposals on the five editorial priorities has been included in the savings in the previous section.

Overall scope savings total c£205m p.a. by 2016/17 (6% of the licence fee). In developing these proposals we have sought to safeguard areas of particular public value by focusing investment on flagship services and protecting parts of the BBC where its output is unique or unlikely to be provided by other broadcasters. In particular:

- BBC One's underlying budget, despite its size relative to other BBC services, will fall by only 3% over the period (excluding productivity savings)
- Radio 4's underlying programme budget, excluding the impact of any productivity savings, will stay stable over the period
- We will protect the recently increased budget for new programming on the BBC's children's television services
- Through a combination of lower targets and a focus on efficiency gains, scope savings in BBC News are low.

Across Scotland, Wales and Northern Ireland, there will be significant new investment from the continuing growth in production for the BBC's UK-wide services:

- While overall network production budgets are reduced in London and parts of England, we expect to meet the 17% target for network television programmes to be produced in Scotland, Wales and Northern Ireland earlier than 2016 and exceed it by the end of the Charter. This will bring millions of pounds of new network commissions across Scotland, Wales and Northern Ireland
- This new output will be accompanied by measures to increase portrayal and representation of the whole UK, in part through some further shifts of commissioning and production leadership outside London and by seeding more programme development funding across all of our production centres
- Savings on services made and broadcast within each Nation have been held to similar or lower levels than the BBC average. A strong emphasis on overhead and productivity savings means scope reductions for services across Scotland, Wales and Northern Ireland will be limited to 5% on average
- The scope of daily news output in Scotland, Wales and Northern Ireland has been protected. Television and radio output in these areas of the UK will focus on peak-time programming that delivers greatest value to audiences on both radio and television, with reductions mainly in off-peak schedules and BBC Two programming
- We will immediately invest to make the three versions of BBC One in Scotland, Wales and Northern Ireland broadcast in high definition by the end of 2012. However, we do not believe it is affordable or good value for money to convert the current BBC Two variants in Scotland, Wales and Northern Ireland to high definition. The current standard definition variants on BBC Two will be maintained at least until 2015 while we review their long-term future;

however, we are committed to maintaining the range and quality of the television output we currently provide

- Though shifts in investment across the UK are difficult to predict accurately, we expect the proportion of the licence fee spent in Scotland, Wales and Northern Ireland to be significantly higher in 2016 than it is today.

3 INVESTING IN DIGITAL PUBLIC SPACE—AND REINVESTING IN QUALITY

By targeting higher savings than the 16% required in the licence fee settlement, we have been able to create a £145m p.a. reinvestment fund by 2016/17, though the final value of this fund will depend on realising all proposed savings and on the BBC's ability to mitigate other risks to its finances. Priorities on the list for reinvestment fall into two areas: investing in a digital public space and investing in new content and programmes on BBC services.

3.1 Digital public space

Innovation in technology has always been a vital part of the BBC's mission, and we remain committed to ensuring that the benefits of digital are as widely and freely accessible as possible. Our proposals in this area protect the vision set out in *Putting Quality First*: reinvesting in a more open, digital BBC that guarantees access to its services, seamlessly connects broadcast to online, and increases the availability of its programme library with partnerships across public and commercial sectors.

We will initiate a major new approach to digital innovation focused on uniting BBC channels, networks and online content across four screens of the digital age; continuing our work to put the BBC's rich back-catalogue online through a mix of public and commercial means; supporting wider public space with a growing number of partnerships; and using the BBC's funding, brand and technology to help drive economic growth across the UK.

We believe this strategy for online, archive and connected broadcasting will help us reinvent the BBC for the digital age, through:

- Richer content
 - Integrating our linear and non-linear services, ensuring the full range of BBC content is available whenever and wherever audiences want
 - Presenting and linking the BBC's content online in new ways to create outstanding social, personal and interactive experiences
- Greater choice
 - Allowing audiences to consume BBC services seamlessly across four screens: mobile, computer, tablet and connected television
 - Making our content permanently available by putting the best of the BBC's back-catalogue archive online
- Open for all
 - Providing audiences universal, unfettered and free access to the full range of our content on as many devices as possible
 - Sharing our technical platforms, metadata and code with the industry to support a creative, digital UK.

We will also invest in the roll-out of the BBC national DAB multiplex to 97% coverage of the population by 2017 and partner to expand local DAB coverage to c90% of UK homes subject to the Government's decision on switchover, making it possible over the long term to remove radio services from some digital television platforms if this can release capacity.

We will continue to invest in high-definition broadcasting, including through the replacement of BBC HD with a single version of BBC Two HD. The variants of BBC One in Scotland, Wales and Northern Ireland would be broadcast in HD from 2012.

3.2 Investing in new programmes

Part of the reinvestment fund has also been provisionally allocated to reinvestment in the five editorial priorities. These include:

- Substantial funding for new drama and comedy for BBC One; and for serious science, history, business, arts and natural history programmes for BBC Two and BBC Four
- New investment in newsgathering in core global priority areas (such as BRIC countries or other parts of the world that emerge as significant over the next few years) and in local and regional newsgathering around the UK where the BBC's presence is becoming more valuable over time
- Investment in BBC World News—the BBC's commercial international television news service—to strengthen the quality and reputation of the service, subject to appropriate regulatory clearance
- An increased investigations fund for *Panorama*
- Radio 4 landmark output like *A History of the World in 100 Objects* and investment to protect the quality of the Proms.

By 2016/17, the combination of these proposals and the digital investments in section 3.1—where they relate to content—will result in £29m additional investment in news; £26m for knowledge, music and culture; £37m for new drama and comedy; £3m for new digital children's content; and £8m for events.

4 CONCLUSION

4.1 Financial summary

This is a plan that maximises savings from the way the BBC operates and minimises the impact on the BBC's programmes and services. It is achievable only because major investments in digital technology come on-stream during the period and because we have identified a one-off opportunity to transform and reshape the BBC. Once this transformation is complete, it is our judgement that the scope for further productivity savings at the BBC will be modest and that any further real terms reduction in the BBC's funding would lead to the loss of services to the public or a loss of quality or both.

The BBC's licence fee income at the beginning of the period is projected to be £3,500m p.a. The 16% target agreed with the Government would require c£555m p.a. of savings on this income; the Director-General's additional 4% challenge would release an additional c£145m p.a. for reinvestment—a total of c£700m p.a. of savings by 2016/17. This plan has identified £670m p.a. of new savings—equivalent to 19%. These new savings are made up as follows:

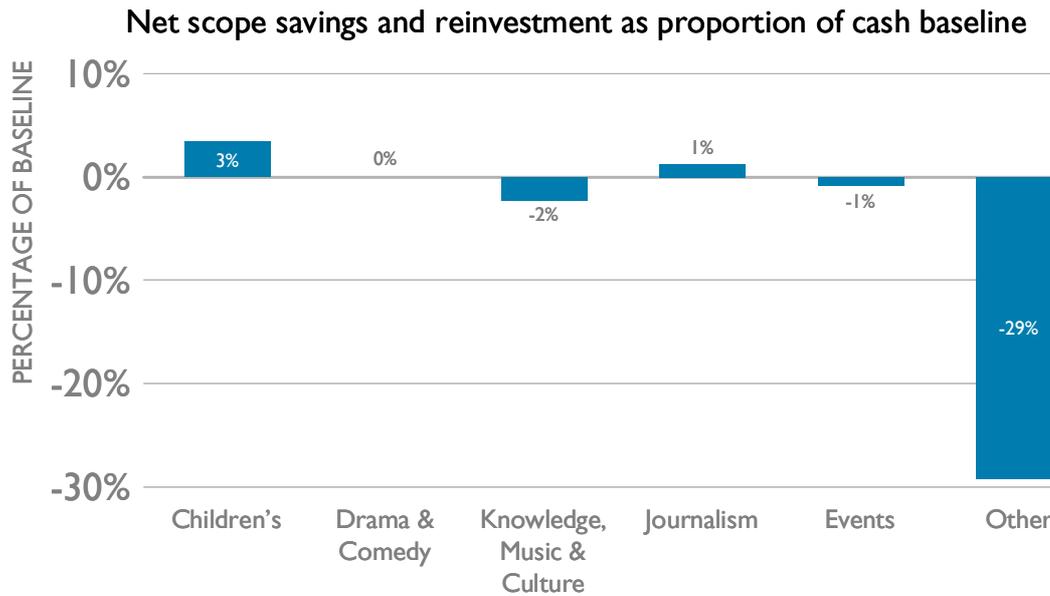
- Making productivity savings of 11% of the licence fee, or £400m p.a.
- Keeping scope reductions to just 6% of the licence fee, or £205m p.a.
- Targeting additional funding from commercial operations of at least £40m p.a. We believe this is achievable by focusing on landmark programming like *Human Planet*, *Doctor Who* and *Top Gear* which are highly valued by UK audiences and which also attract significant investment from commercial partners and considerable value for BBC Worldwide
- Finding additional savings from, for example, tighter management of working capital across the BBC Group of c£25m p.a.

Saving	£m by 2016/17
Productivity savings	400
Scope reductions	205
Additional commercial income	40
Working capital savings	25
Total	£670m

However, additional savings that we have achieved beyond our original targets in the current efficiency programme mean that we are confident that this plan will exceed the Director-General's goal of 20%. Any additional licence fee income from increasing numbers of households will allow the BBC to maintain the full reinvestment fund and cover the capital and technology expenditure required in the period, if not required as a contingency against higher than expected inflation.

4.2 Impact on the five editorial priorities

After scope savings and reinvestment (but excluding productivity savings), we anticipate that effective underlying spend in news and children's will rise; and spend on major events and factual programming will fall slightly. Savings of c30% will be made in other content spend. In the chart below these projected changes are compared with estimated proxy cash spend in 2016/17 on the editorial priorities.



4.3 Impact on audiences

The BBC's performance with audiences is strong and, on many metrics, is rising. Each week 96% of the public use the BBC, and they spend around 19 hours every week, on average, watching, listening and consuming BBC content across its television, radio and online services—up from 18 and a half hours two years ago. The public's overall opinion of the BBC is high, too, with 74% of the UK having a positive impression of the BBC. Views on programme quality are also rising, with appreciation scores for TV programmes reaching 82 out of 100, on average, in 2010, up from 78 in 2007 and 75 in 2005.

From this high baseline, the likely audience impacts of this plan have been modelled at a platform and pan-BBC level. All other things being equal, we would expect the reach of the BBC's portfolio of services and the high scores the public currently give the Corporation for the quality of its services to be maintained, or even to increase, though there is likely to be a slight decrease in the total time spent with the BBC per user across all demographic groups. Looking to 2016, however, broader audience trends will also have an impact on BBC performance. These are much more difficult to predict, but our assessment is that we would expect to see continued increases in quality scores as time-shifting, HD, and multichannel usage increase. However, we also expect a decline in pan-BBC weekly reach driven by falls in TV and radio reach, though online and mobile reach will increase.

* * *

These proposals involve painful choices for the BBC including significant job losses at every level of the organisation. They also inevitably mean some diminution in service to the public, though we have taken every step possible to minimise this. But we believe that, if implemented, they will allow the BBC to continue to deliver a broad and formidable array of high-quality services to the public. The BBC itself will change radically: it will be a simpler, more efficient organisation. It will continue to seek breakthroughs, both creative and technological, and help lead the way for the UK into the fully digital era. Success for it will be measured not just by the popularity or excellence of its own services but also by its ability to support the wider industry and public space as a whole. It will be a leaner but still strong BBC, committed to bringing the best to everyone.

Delivering Quality First

Public consultation

October 2011

Introduction

The remainder of this document provides a summary of the onscreen and on-air impact of BBC management's proposed changes to the BBC's services and content, including the changes to the budget of each service. It outlines the Trust's approach to assessing these proposals and invites responses to the questions we are asking.

The Trust's starting point

The licence fee settlement of 2010 is tough for the BBC, equivalent to a minimum reduction in funding of 16 per cent by 2016/17. It is a new experience for the Corporation to see its income falling significantly in real terms. But we also believe this is a fair settlement given the financial challenges faced by the rest of the public sector, and it is one that provides the stability and security of funding needed to plan for the future. The next few months provide us with the opportunity to test the plans BBC management has drawn up.

The Trust will judge BBC management's proposals against the principles we set out last year in the strategy document called *Putting Quality First*, which was itself informed by a wide ranging consultation with licence fee payers and the media industry. That strategy set four core objectives for the BBC:

- Increasing the distinctiveness and quality of the BBC's programmes and services
- Improving the value for money the BBC provides to licence fee payers
- Setting new standards of openness and transparency
- Doing more to serve all audiences

Of these objectives, the first priority for any financial plan must be to improve value for money. As we explain below, we have work underway to assure ourselves that BBC management's plans to achieve this through around £400 million per year worth of productivity and efficiency savings are robust, and based on reasonable assumptions.

The focus for this public consultation, however, is the impact the plans will have on the output of each service. From this point of view, two of our four objectives are particularly important:

- Increasing distinctiveness, including through an increased focus on the Director-General's five editorial priorities: news, children's, knowledge, UK drama and comedy, and events that bring the Nation together.
- Serving all parts of the audience, by ensuring the BBC continues to reach the vast majority of the public with distinctive content and by improving the extent to which its services resonate with audiences in all the UK's Nations, regions and communities.

The aim of this consultation is to help the Trust test whether the detail of BBC management's proposals is consistent with the strategy and direction we have set for the BBC. The responses we receive will help us to reach final conclusions about the shape of the savings we need to make.

The plan developed by BBC management

The savings plan developed by BBC management is outlined in detail earlier in this document. The scale of the challenge is dependent, to some degree, on external factors linked to the general economic outlook: in particular, inflation and the rate of household growth. At the current point in time, however, we agree that the plan is based on a set of reasonable assumptions. It is made up of two main components:

- Efficiency and productivity savings: ways in which the BBC can work more efficiently to reduce internal operating costs
- Content savings: changes directly relating to BBC services and content

In addition BBC management is investigating ways of increasing the amount of revenue that the BBC is able to generate through its commercial activities in order to provide more funds to reinvest into programme making. We are not consulting on these ideas at this stage, but will check they are consistent with the regulatory framework we have put in place for such activities, and to ensure that they do not in any way compromise the BBC's ability to provide the most distinctive possible public services to licence fee payers.

Productivity and Efficiency savings

Underpinning the whole of this plan is a determination to push the BBC to make sure its efficiency programme is as ambitious as it can possibly be – in order to keep the impact on content and services to a minimum.

Over the last few years the BBC has taken significant steps to make itself more efficient, its current value for money programme has led to savings of around 3.5 per cent each year. However, we believe that there are further opportunities for internal efficiencies to address the challenges the BBC is now facing. We asked BBC management to investigate the scope for further internal savings, in order to minimise the impact of funding changes on the services and content the BBC offers to audiences.

BBC management's work has identified it can generate productivity and efficiency savings of around £400 million each year by the end of the current Charter period. This equates to around 11 per cent of existing licence fee income.

In July we appointed Ernst & Young to conduct a short, independent review on the robustness of BBC management's efficiency programme. In particular, we sought advice on whether BBC management had challenged all parts of the BBC's cost base, whether the review process had tested BBC performance against appropriate external benchmarks and whether it had given appropriate consideration to the likely impact of the efficiency proposals on quality of content and services. We also asked Ernst & Young for an assessment of whether the process by which the efficiency proposals had been developed and managed provided a good basis for the level of savings to be achievable.

Ernst & Young concluded that:

- BBC management is leading and managing an effective programme from which robust and challenging efficiency proposals have emerged
- the BBC must continue to apply increasing levels of robustness through the subsequent design, planning and delivery stages whilst retaining the necessary key talent to do this in a controlled way
- the challenge remains of delivering a significant transformation programme in a difficult economic environment

Taking account of the insight provided by the Ernst & Young review, along with their recommendations, the opinion of the BBC Trust at this time is that the efficiency proposals presented by BBC management are sufficiently challenging and achievable.

We note the need for BBC management to work up robust, detailed delivery plans and that there remains an element of risk associated with these.

We will continue to monitor the next stage of implementation work. We will require assurance from BBC management that productivity and efficiency savings are being delivered without compromising quality. We will publish regular progress reports starting with Ernst & Young's formal report to the Trust, which will be available soon.

As we continue to monitor the BBC's productivity programme we will push for greater savings, if possible, and encourage more of these to be made as early as possible over the next five years. However, it is clear that not all of the savings can be found through the BBC simply being more efficient in the way it operates. Therefore some

changes to the scope of the BBC will be required, which means we have to make some difficult choices about the future of the BBC's services and content.

The impact on BBC services – our consultation

Overall approach

This consultation is just about the changes being proposed by BBC management that affect services and content, reductions that are equivalent to around 6 per cent of the licence fee. The internal efficiency and re-structuring plans developed by BBC management are not within the scope of this consultation.

The Trust believes that, in general, the changes to services and content BBC management is proposing are broadly in line with the strategy we have set. They aim to largely protect those services and content that provide the most value to audiences: those that deliver the BBC's public purposes to large audiences, such as BBC One and BBC Two, the BBC's main network radio stations and online offering, as well as the BBC's news output, its children's services and national and regional content. They also acknowledge that, with income falling significantly in real terms, some of the smaller, newer BBC services need to be re-focused to provide a supporting role to those major services: continuing to promote something unique and distinctive, but in a more complementary way and at lower cost.

The main alternatives to this approach are to close some services completely or to apply cuts to all output by equivalent amounts. We don't think that either of these approaches would be in the best interests of the audience. Making equivalent cuts to all areas of output would lead to an unacceptable diminution in the quality and distinctiveness of flagship services and priority areas such as journalism and children's programming. At the same time the audience research and insight we have gathered over the past few years tells us that the BBC's smaller services have extremely loyal and passionate audiences and closing them would risk a significant loss of audience value likely to be disproportionate with the financial gains made.

We therefore agree with BBC management that the best approach is to look at each individual service and its role within the wider portfolio of TV or radio services to identify an appropriate level of savings, whilst ensuring that each service stays true to its remit, and helps deliver our strategic priorities. Working on this basis, BBC management has estimated the impact of its proposals on each BBC service. This is projected in the table below. It is important to note that projected efficiency savings are not included in these figures, as these are not intended to impact on what audiences see and hear. However, given that such savings are being found across the BBC, including from content areas, published service licence budgets will reduce further once the process of allocating them across BBC services is complete.

Table: Projected changes to service content spend by 2016/17

Service	Projected service licence content spend 2016/17 (£m)	Estimated changes to content spend 2016/17 (£m)	Percentage change
BBC One	1,184.6	-35.3	-3
BBC Two	454.9	-27.6	-6.1
BBC Three	85.5	-8.5	-10
BBC Four	54.3	-5.2	-9.6
CBBC	89.2	-2.0	-2.3
Cbeebies	31.6	0	0
BBC News Channel	46.8	-2.8	-6
BBC Parliament	2.3	0	0
BBC Red Button	16.9	-1.9	-11
BBC HD	2.8	-2.1	-75.7
Radio 1	42.1	-1.1	-2.5
Radio 1Xtra	8.6	-1.1	-13.1
Radio 2	49.2	-1.4	-2.9
Radio 3	40.7	-1.6	-4
Radio 4	99.5	0	0
Radio 5Live	62.8	-4.7	-7.5
Radio 5 Live Extra	2.5	-0.1	-5.8
Radio 6 Music	8.3	-0.2	-2.6
Radio 4 Extra	5.7	-1	-17.2
BBC Asian Network	9.5	-3.2	-34.1
BBC Local Radio	125.1	-5.3	-4.2
Radio Scotland	23.2	-1.5	-6.6
BBC Radio nan Gàidheal	3.7	-0.3	-6.7
Radio Wales	13.9	-0.4	-3.2
Radio Cymru	12.5	-0.4	-3.3
Radio Ulster/Foyle	16.3	-0.3	-1.6
BBC Alba	4.7	0	0
BBC Online	117.8	-0.1	-0.1

Notes: [1] The figures in this table show the impact that BBC management is projecting from proposals that affect content and services by 2016/17. These proposals involve both a round of reductions to existing spend and a subsequent round of reinvestment in priority areas. The table presents a summary of the projected impact of both of these changes by 2016/17. BBC management has projected 2016/17 content spend using the same methodology as the Annual Report, which includes all allocated content spend but excludes distribution and central infrastructure and support costs. [2] Figures for content spend and estimated changes are rounded in the table; the percentage changes were calculated using unrounded figures. [3] As part of the 2010 licence fee settlement, the BBC will take on responsibility for funding new areas of content, including the BBC World Service and a contribution to S4C. Since these are new budget lines, rather than changes to existing services, they are not included in this table and are not part of this consultation.

When finding ways to cut costs, we also need to take into account the changing methods of distributing programmes, and our responsibility to ensure value for money, remembering that most of the licence fee should be spent on programmes and content. This means trying to stop too much duplication in the means of distributing content while also ensuring that safeguards are in place to ensure no parts of the audience are denied access to programming.

The remainder of this document describes the proposed changes to services and content BBC management has made to the Trust, including some changes to the BBC's distribution model. They have been written on the basis of details provided by BBC management and range from very specific commissioning decisions to much broader editorial intentions. If approved by the Trust, BBC management will implement the changes during the course of the next five years.

We would like to know what you think of these proposals and whether you believe that any of them, either individually or collectively, look like they would unduly compromise the BBC's ability to achieve the priorities we have set. We would also like to know whether you think that there are alternative or better configurations which would achieve the priorities we have set by saving money in a different way.

Do you think at a broad level that this approach, which seeks to meet the new financial settlement by applying different levels of savings to each service (as outlined in the table above), is the right one and in particular will meet our aims to:

- **promote distinctiveness and serve all audiences**
- **protect the services that deliver the greatest value to large parts of the audience; and while seeking to avoid service closures if possible sees the BBC's smaller and newer services more as complementary and supporting parts of the TV and radio portfolios**
- **protect the BBC's five editorial priorities by applying greater savings in those areas which fall outside these areas?**

Television

This section covers the BBC's television output, including BBC One, BBC Two, BBC Three, BBC Four, CBBC and CBeebies, the BBC HD Channel, the BBC News Channel and BBC Parliament but does not include programming made specifically for audiences in Northern Ireland, Scotland, Wales or the regions of England which is covered in the Nations and Regions section.

The Trust's View

In considering changes to the television services, we have drawn on our reviews of these services which have found that the priority should be to protect and promote the quality and distinctiveness of the most watched TV channels, BBC One and Two, particularly in peak-time. This means that there will have to be trade offs, and in particular BBC management has proposed to spend less on its digital channels. These would remain valuable channels within the television portfolio, but we may have to accept that the BBC can no longer afford to fund these channels at their current levels.

More radical options were considered as part of this exercise, including closing a television channel completely. However we don't believe that this would be in line with the priorities we have set for the BBC. We see a continued role for both BBC Three and BBC Four as channels which more explicitly support BBC One and Two, using these links to work more closely with the programming on the main channels, while still retaining their unique remits, albeit with less funding. We can therefore see how BBC management's proposals, as outlined below, fit with the overall strategy we have set. We can also see that BBC management's proposals aim to target additional investment to promote the distinctiveness of the main television channels: for instance into drama and comedy on BBC One, serious factual programming on BBC Two, and to develop more original daytime programming on BBC One.

News and children's programming must remain top priorities for the BBC. We are supportive of BBC management's aim to protect the main TV bulletins and core current affairs output. BBC management is also developing a long-term plan to unify Newsgathering across the World Service and BBC News. Some overseas bureaux would close but the BBC would maintain a presence in 95 locations. We are currently reviewing the BBC News Channel as part of our regular programme of service reviews and will use the findings when considering BBC management's proposals. On children's, we support plans to maintain the current levels of investment for CBeebies and CBBC.

Sports coverage plays a major role on the BBC's main television channels, and is central to delivering some of the BBC's public purposes. However the acquisition of sports rights can be expensive, and BBC management has identified an ambition to save 15 per cent in this area. While it is not for the Trust to decide which individual sports rights are bought by the BBC, we have ensured BBC management's approach is guided by the strategic principles we have set in this area: that, subject to value for money and affordability, the BBC should continue to prioritise those sports and events which have greatest national resonance, and in particular the events listed by the Government, as well as providing an outlet for minority sports.

Summary of BBC management's key proposals

BBC One

- A small reduction in the number of new factual, comedy or entertainment programmes or feature films broadcast after the 10 o'clock news. Replaced by repeat programmes from BBC One and other channels; peak-time repeats would increase by around one per cent overall, but would remain below 10 per cent
- A small reduction in the number of peak-time entertainment programmes but maintain Saturday evening entertainment shows
- Reduction in spend on acquired films and series
- Remove mid-morning and 3pm news summaries
- BBC One to become the channel for all new general daytime programmes
- In time, following digital switchover, remove children's programmes from BBC One's afternoon schedule
- New investment in drama and comedy
- Reduce spend on sports rights
- Increase UK wide showings of programmes originally made for audiences in Scotland, Wales and Northern Ireland
- Launch full BBC One High Definition (HD) channels for Scotland, Wales and Northern Ireland which would replicate the existing Standard Definition (SD) channel in that nation
- In England no region specific services would be carried on BBC One HD. Ways to minimise disruption to viewers when switching between HD and SD to access programmes made for their particular area would be investigated

BBC Two & BBC HD

- Maintain investment in drama and increase investment in scripted comedy
- Make fewer entertainment panel or chat shows
- BBC Two and BBC Four would share more arts and music programmes through complementary scheduling and repeating. A small number of arts and music programmes would transfer from BBC Two to BBC Four
- Reduce current affairs programming by around nine hours a year
- Reinvest in factual programmes, in particular in history, science and business
- Daytime schedule to feature international news and current affairs programmes at lunchtime. Other parts of the schedule would be repeats of mainly factual programmes, including science, history, natural history and arts, as well as live sport
- In time, following digital switchover, remove children's programmes from BBC Two morning slots
- A small reduction in the coverage of more niche interest sports
- Launch a single version, with no variations in Scotland, Wales or Northern Ireland, of BBC Two in HD in 2012 to replace the current BBC HD channel. Nations variations would continue in SD

BBC Three

- A specific remit to act as a place to nurture and develop talent and programme content for BBC One
- Some reductions in drama, music and entertainment programmes
- Share more programmes with BBC One, to provide additional chances to watch programmes which appeal to younger audiences

BBC Four

- BBC Four would play a more complementary role to BBC Two
- More programming in areas such as live music, both classical and pop, arts and culture, some of which would transfer from BBC Two to BBC Four
- Factual programmes would generally focus on more specialist subjects with other factual programmes shown on BBC Two
- Continue to provide new comedy and entertainment
- Reduce investment in original UK drama, although the type of drama that is currently made by BBC Four might feature on BBC Two. BBC Four would continue to show the best of foreign language drama and film from across the world

CBBC and CBeebies

- No major changes proposed

BBC News Channel

- Focus on core and breaking news stories, with a reduced expenditure elsewhere. Within the news sequences there would be fewer features and special reports
- Less coverage of areas such as arts, culture and science, and less frequent dedicated sequences such as business
- More re-use of existing BBC news programmes in the 'back half hours' (times after half past each hour) to replace some of the current specially made content. Some original programmes such as *Hardtalk* would continue
- Continue to simulcast the main BBC One news bulletins

BBC Parliament

- No major changes proposed

Bearing in mind our ambition to increase the distinctiveness of BBC services and serve all audiences, and in light of the need to make savings, we would like your views on the proposals affecting television outlined above

Radio

This section covers the BBC's network radio output, including Radio 1, Radio 2, Radio 3, Radio 4, Radio 5 Live, 1Xtra, 4 Extra, 5 Live Sports Extra, 6 Music and the BBC Asian Network, but does not include details on the Nations radio networks or BBC Local Radio which are covered in the Nations and Regions section.

The Trust's view

Each of the BBC's radio stations has a distinct role and tends to be more targeted on specific audiences, such as demographic groups or communities of interest, than the more broadly based television channels. Collectively they aim to provide high quality and distinctive programming with both range and depth. However, as with television our broad approach is to protect and promote the quality and distinctiveness of the BBC's core radio output.

The BBC's network radio stations, Radio 1, Radio 2, Radio 4 and Radio 5 Live all reach large audiences while Radio 3 offers a depth of coverage of classical music and cultural programming which is largely unavailable elsewhere. Our published service reviews have found that these stations make important contributions to delivering the BBC's public purposes. We agree with BBC management that there is no need for any major strategic realignment of these services, although each will have to make some changes to contribute to the financial settlement. In making these changes, continuing to pursue the strategies set out in our service reviews must remain a priority for BBC management; and in particular for Radio 1 to focus more clearly on younger listeners and Radio 2 to take greater creative risks and demonstrate greater distinctiveness in its daytime output.

The BBC's five digital radio stations generally aim to complement the core services, making distinctive contributions to the overall range of BBC radio output. They also play a role in promoting the take up of digital radio. While the number of listeners to these stations has increased over recent years, many have relatively small audiences and this makes it reasonable to look for ways to reduce costs and improve value for money.

BBC management has considered whether any of the digital stations can be closed in their entirety but have concluded that because each plays a specific and valuable role in the portfolio this would not be appropriate. However, they do propose, in certain cases, to significantly refocus the output of some stations in order to deliver better value while aiming to retain levels of quality and what listeners enjoy. The largest proposed change in expenditure is on the BBC Asian Network, on which we have just launched our scheduled service review. Further details are available below.

We accept that some trade-offs are also required in the way that radio services are distributed and we support the plans for further investment in DAB coverage, but we want to ensure that existing programmes remain as accessible to all listeners as they are now. From this point of view, we welcome in particular BBC management's commitment to making Radio 4's Long Wave programmes available on other analogue BBC radio stations should the Long Wave transmitter fail.

Summary of BBC management's key proposals

Radio 1 and Radio 1Xtra

- Build the on-air relationship between Radio 1 and Radio 1Xtra
- Share news bulletins except at breakfast when bespoke news would continue on each station
- Simulcast programmes between 2am-4am Monday to Friday
- Replace the current late night Nations' opt-out programmes on Radio 1 with a single programme that offers a UK-wide platform for undiscovered, unsigned music and emerging talent from England, Scotland, Wales and Northern Ireland

Radio 2

- Safeguard the mainstay of daytime programmes
- Replace regular comedy programmes with comedy showcases and ad-hoc comedy series, in order to continue to develop new comedy talent
- Reduce the amount of live music broadcast on the station, by a small increase in the number of repeats of *Friday Night is Music Night* and *In Concert* re-cast as an occasional event within the weekday evening shows
- More sharing within news bulletins between Radio 2 and 6 Music

6 Music

- Share main news bulletins with Radio 2, although 6 Music would retain its bespoke music news output

Radio 3

- Broadcast around 25 per cent fewer live and specially recorded lunchtime concerts
- Reduce the cost of evening concerts by broadcasting fewer orchestral concerts and replacing them with chamber and instrumental concerts
- Less specially recorded contemporary music for *Hear and Now*
- Reduce the amount of original drama, although longer-form drama would remain on the station
- More sharing within news bulletins between Radio 3 and Radio 4
- Reinvest in The Proms to maintain quality
- In addition, BBC management is conducting a review of the BBC's orchestras and singers to consider where both efficiency and scope savings can be made. Proposals are due later in the autumn.

Radio 4 and Radio 4 Extra

- A small reduction in factual and current affairs budgets
- One per cent increase in number of repeated programmes
- Reinvest in landmark factual programming, high profile drama and online to complement broadcast events and expand the archive
- A contingency plan to ensure that in the event of the failure of the Long Wave transmitter, current programming broadcast on Long Wave, including Test Match Special, would transfer to other analogue BBC radio stations

- Reduce the amount of originated programmes on Radio 4 Extra, although retain family-targeted programming

Radio 5 Live and 5 Live Sports Extra

- Continue to broadcast a live 24 hour schedule, but find ways to reduce the costs of overnight programming
- Maintain sport output at approximately current levels, although reduce the cost of sports presentation including using smaller teams at many events
- Reduce Radio 5 Live's team of regional journalists in England, and work more closely with other parts of BBC News, particularly BBC Local Radio and Newsgathering
- Business programming to focus on the key times of early morning/breakfast and afternoons
- End some Sunday programmes, including comedy in the morning and some current affairs programmes in the early evening

BBC Asian Network

- Maintain Asian Network as a national service
- Broaden the existing target audience to encompass British Asian listeners between 25 and 45
- Focus on six distinctive content areas: BBC news, music and entertainment, Asian culture, discussion, languages and specialist music
- Remove drama and documentary programmes from the station
- Reduce the amount of weekday language programmes
- Close the station between midnight and 6am

Digital platforms

- Invest in the roll-out of the BBC national DAB multiplex to 97 per cent coverage of the population by 2017 and partner to expand local DAB coverage to 90 per cent of UK homes by 2017, subject to the Government's decision on switchover. This would make it possible, in the long term, to remove some radio services from some digital television platforms if this will release capacity

Bearing in mind our ambition to increase the distinctiveness of BBC services and serve all audiences, and in light of the need to make savings, we would like your views on the proposals affecting the BBC's radio stations outlined above

Note: this consultation allows you comment on all BBC management's proposals regarding the future scale and scope of the BBC's services and content. The Trust is also currently carrying out its scheduled service review of the BBC Asian Network, to assess how well it is currently performing. You can take part in this review at bbc.co.uk/bbctrust. We will use the responses to both consultations when considering the future direction of the BBC Asian Network.

Nations and Regions

This section covers the programmes and services made specifically for audiences in Northern Ireland, Scotland, Wales and the regions of England.

The Trust's View

The BBC provides programmes and services that are tailored for audiences in specific parts of the UK to complement its pan-UK network services. This programming aims to reflect the development of an increasingly distinctive cultural, political, educational and social landscape in the devolved nations. The BBC's offer to audiences in Scotland, Wales and Northern Ireland includes national radio stations and a range of news and non-news programming on BBC One and BBC Two. In England the BBC provides regional news, current affairs and sport programming on BBC One and 39 local radio stations.

On television, our reviews of BBC One and BBC Two last year found that while opt-out programming provides an important outlet to serve the UK's nations and regions, it could do more to help deliver the BBC's public purposes to these audiences. As part of the review, we supported the plans developed by BBC management to increase the impact of opt-out programming including finding more ways to showcase these programmes to audiences across the UK.

On radio, we have recently published the conclusions of our reviews of the national radio stations in Northern Ireland, Scotland and Wales. We found that although listener numbers and audience perceptions of quality vary between stations, each service offers distinctive content which is not available elsewhere. In forming our conclusions, our intention was to ensure that regardless of financial pressure, each station remains distinctive and continues to generate public value. We developed a number of action points to help achieve this by introducing safeguards to preserve the most distinctive aspects of each station and offering guidance as to where the stations' priorities should lie.

We have just launched our scheduled service review on BBC Local Radio which will assess how well the BBC's Local Radio services are delivering against their service licence. As part of this review we will explore some of BBC management's proposals for the future of BBC Local Radio. We will use the insight from this consultation, and the one we are running as part of the service review, to assess whether we believe that the overall strategic direction is correct.

As we consider any changes to services targeted at audiences in Northern Ireland, Scotland, Wales and the regions of England we will take advice from our Audience Councils who are there to help us understand how well the BBC is serving licence fee payers across the UK.

Summary of BBC management's key proposals

Television programmes for Northern Ireland, Scotland and Wales

- Implement a 'fewer, bigger, better' strategy for programmes specifically made for Scotland, Wales and Northern Ireland, and show more of these to audiences across the UK
- Maintain the existing level of investment in news bulletins and flagship strands, though reduce slightly other non-core news and current affairs programming
- Increase the impact of programming in other genres, though reduce the overall amount of such programming
- A significant investment in the amount of network programming produced in Scotland, Wales and Northern Ireland

Television programmes for English Regions

- Maintain the main bulletins on BBC One, though the 3pm summary and Saturday lunchtime bulletins would end
- The regional current affairs programme, *Inside Out*, would continue, but with programmes covering larger regions. Each current region would, however, retain its own investigations team
- BBC management is reviewing the number of regional variants in England carried on digital satellite and intends to reduce this to enable savings in distribution costs, though these programmes would continue to be transmitted on Freeview

BBC One and BBC Two in HD in the Nations and English Regions

- BBC management is currently considering how best to deliver BBC One and BBC Two in HD to audiences across the UK in the longer term. You can read more about this in the television section

BBC Alba

- No major changes proposed

BBC Radio Scotland

- Focus on delivering speech output in daytime and music output in the evenings
- A 10 to 20 per cent reduction in originations of comedy, drama and documentaries which would be replaced by more repeats and relevant programmes which have been produced in Scotland for the BBC's UK radio networks
- Reduce the number of different weekday afternoon programmes, while maintaining the commitment to cover the arts and culture of Scotland in a longer-form programme
- Fewer differences in programming between the Medium Wave and the FM schedules, in particular sports coverage
- The service would stop at midnight when Radio Five Live would be broadcast until 6am

BBC Radio nan Gàidheal

- Protect core news and feature output with a potential 10 to 15 per cent reduction of other live programming

BBC Radio Wales

- Prioritise investment in peak hours and daily news services
- Broadcast a simpler schedule with fewer, longer programmes
- Reduce off-peak feature output by one quarter, but transfer elements of that content to peak programmes

BBC Radio Cymru

- Prioritise investment in core news services and safeguard coverage of Welsh culture and events
- Reduce spend on off-peak programming, in order to protect morning programmes, including a decrease of around a quarter in originated feature programmes and a small reduction in the number of hours the station broadcasts each day
- Less coverage of community events, although continue to provide comprehensive coverage of national events in Wales

BBC Radio Ulster/Foyle

- Reduce overall broadcast hours by eight hours per week with the station closing at midnight when it would switch to BBC Radio 5 Live
- Moderate change to the remainder of the schedule – to focus on maintaining the current range of content but with fewer programme strands on weekend mornings. On weekday afternoons and evenings extend some existing strands and reposition others

BBC Local Radio

- Focus spend on peak-time programmes - breakfast, mid-morning and drivetime - sport, and faith on Sunday mornings
- Increase levels of sharing in off-peak slots: weekday afternoons, Sunday afternoons and evenings
 - On weekday afternoons most stations would share programming with their neighbouring stations, although a few, which serve a particularly distinct audience, would remain separate
 - On weekday evenings between 7pm and 10pm, programming would be shared across England, with all stations coming together except when providing local sports commentaries
 - At other off-peak periods sharing would occur at a variety of levels. Some would be akin to the regional television areas, and during the late evening in five larger areas: the North; the West Midlands; the East Midlands; the East and South East; and the West and South West
 - All stations would broadcast Radio 5 Live from 1am until the start of their breakfast programme
 - A number of locally split breakfast programmes would end

- Within all shared programming individual stations would continue to provide local news bulletins at present, and would be able to leave the shared schedules in times of civil emergency or bad weather
- BBC London would lose a number of off-peak programmes and reduce other spend to bring the station more in line with other BBC Local Radio stations

Medium Wave

- Medium Wave transmission for BBC services would end in areas of England where coverage duplicates FM. Subject to further technical analysis, across the UK the stations which BBC management would expect to continue to transmit in Medium Wave include Radio 5 Live, BBC Asian Network, BBC Radio Jersey, BBC Radio Guernsey, BBC Gloucester, BBC Derby, Radio Scotland, Radio Wales and Radio Ulster/Foyle

Bearing in mind our ambition to increase the distinctiveness of BBC services and serve all audiences, and in light of the need to make savings, we would like your views on the proposals affecting the BBC's programmes and services made specifically for audiences in Northern Ireland, Scotland, Wales and the regions of England outlined above

Note: this consultation allows you comment on all BBC management's proposals regarding the future scale and scope of the BBC's services and content. The Trust is also currently carrying out its scheduled service review of BBC Local Radio, to assess how well the stations are currently performing. You can take part in this review at bbc.co.uk/bbctrust. We will use the responses to both consultations when considering the future direction of BBC Local Radio.

Digital and Distribution

This section covers the BBC's digital output, including bbc.co.uk, the Red Button and future digital development.

The Trust's View

Earlier this year we approved a 25 per cent reduction in BBC Online's budget by 2013/14 with a reorganised service based around fewer core sections which focus on those areas which are most valued by users. BBC management will continue to implement these reductions, and we will monitor the effects as part of our second scheduled review of BBC Online.

Last year we completed our service review of the Red Button, finding that it is a widely used and popular service, but has substantial costs and should focus on the things it does well and which its audience uses the most - the provision of news and information through digital text and additional coverage of major live events - while seeking to reduce its distribution costs by providing a more consistent level of service across different digital TV platforms. We believe that BBC management's proposals are in line with these findings.

As we stated in our document Putting Quality First, published in December 2010, we believe that every UK household should have convenient access to each relevant BBC service, free at the point of use. We aim to do so in a way that: safeguards easy, accessible open routes to BBC content; sustains quality free-to-air platforms; provides value for money to licence fee payers; secures baseline standards of quality, brand attribution and due prominence; meets legal obligations; and is technically feasible.

Earlier sections on television and radio included an explanation of some proposals to change some of the existing ways in which the BBC distributes particular services, where BBC management feels a change is consistent with these principles. This section includes its proposals for increasing investment in newer, digital distribution technologies.

On the basis of the audience insight we have gathered over the past few years, we recognise the strategic importance of the BBC keeping up with technological developments to ensure the BBC strives to reach audiences wherever and however they consume its content. We therefore support the ambition that sits behind BBC management's proposals, although the BBC's Charter and Agreement may require us to subject them to further regulatory scrutiny.

Summary of BBC management's key proposals

BBC Online

- Continue to implement the previously approved budget reduction of 25 per cent, which is re-focussing the service around ten audience-facing products: the Homepage; News; Sport; TV & iPlayer; Search; Weather; Radio & Music; Knowledge & Learning; CBBC; and CBeebies
- Prepare the BBC for a fully-converged digital world, where linear and non-linear content are brought together for audiences across multiple devices, by proposing to invest in:
 - *Four-screen experiences*: to extend the depth and breadth of content across connected TVs, computers, mobiles and tablets
 - *Digital curation*: use editorial, social and personal tools to make the most of content, bring audiences more of what they like, and increase their engagement and participation with the BBC
 - *An open technical approach*: share technical platforms, metadata and code with the industry in support of a more digitally creative UK (where contracts and regulations make it possible)
 - *Social experiences*: to make the most of the growing popularity of networks off bbc.co.uk, extend the reach of content, engage with new audiences and closely integrate experiences with BBC Online
 - *Open access*: to ensure a full range of content is available on as many consumer platforms and devices as possible – to make products far-reaching, improve accessibility and deliver value for audiences
 - *Archive services*: Make content permanently available by putting the best of the BBC's back catalogue archive online

BBC Red Button

- Reduce the number of video streams available on satellite and cable from nine to one to provide a more consistent service across all TV platforms. This would take place towards the end of 2012, after the Olympic Games
- Close the news multiscreen service
- Develop new Internet Protocol Television services for connected TV sets, with access through the BBC Red Button

Bearing in mind our ambition to increase the distinctiveness of BBC services and serve all audiences, and in light of the need to make savings, we would like your views on the proposals affecting the BBC's digital output outlined above

How to take part

This consultation runs until 21 December 2011

The simplest way to take part in the consultation is to go to our website (www.bbc.co.uk/bbctrust) and complete the online form.

Alternatively you can send your response using the two pages overleaf, to:

BBC Trust
180 Great Portland Street
London W1W 5QZ

Or by e-mail to dqf.consultation@bbc.co.uk

What the Trust will do next

We will use your responses, alongside a range of other data and information to consider the proposals we have received from BBC management.

In parallel, we will also consider how or whether any of the proposals trigger the regulatory processes set out in the Charter and Agreement. In particular, as we conclude this consultation we will also need to take a view as to whether any of the proposals would amount to a significant change to the BBC's UK public services, requiring a full Public Value Test (and involving further rounds of public consultation). A key test of this sort of 'significance' focuses on the impact that any individual proposal may have - on the audience and/or on the wider market. We expect that your responses to this consultation will help us to judge the scale of any such impact and to decide whether any further process is required.

A report setting out our findings and conclusions will be published on the Trust website in spring 2012. This will also indicate where further formal regulatory processes will be required.

Areas for consultation

If responding by post, please complete the sections below. If you need more space to write your response, please use continuation pages.

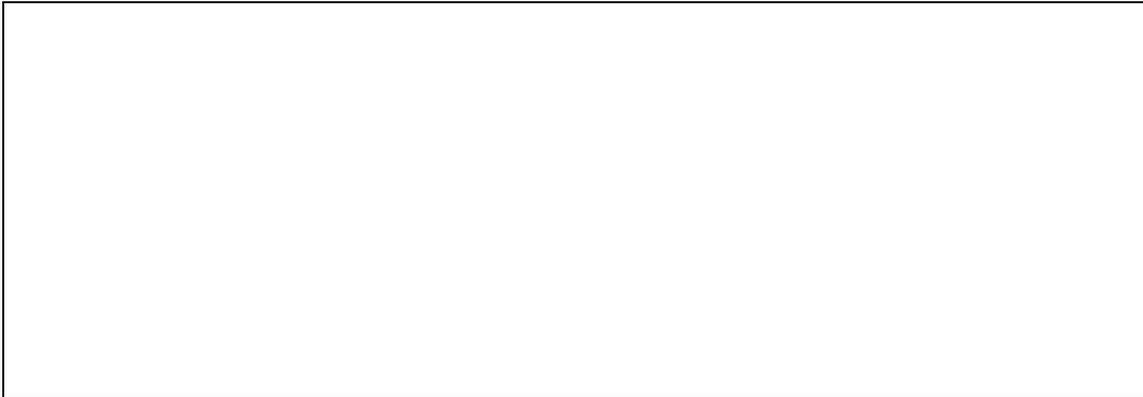
Do you think at a broad level that this approach, which seeks to meet the new financial settlement by applying different levels of savings to each service is the right one and in particular will meet our aims to:

- promote distinctiveness and serve all audiences
- protect the services that deliver the greatest value to large parts of the audience; and while seeking to avoid service closures if possible sees the BBC's smaller and newer services more as complementary and supporting parts of the TV and radio portfolios
- protect the BBC's five editorial priorities by applying greater savings in those areas which fall outside these areas?

Bearing in mind our ambition to increase the distinctiveness of BBC services and serve all audiences, and in light of the need to make savings, we would like your views on the proposals affecting the BBC's:

Television channels

Radio stations



Programmes and services made specifically for audiences in Northern Ireland, Scotland, Wales and the regions of England



Digital output

