

Terms of Reference

Value for money review of the BBC's arrangements for distributing its UK services

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Background

The BBC Trust

The BBC exists to serve the public and its mission is to inform, educate and entertain. The BBC Trust (“the Trust”) is the governing body of the BBC and we make sure the BBC delivers its mission.

As the guardian of licence fee revenue and of the public interest in the BBC, we're here to make sure the public, who own and pay for the BBC, get the best out of the BBC. We set the strategy for the BBC, following wide public consultation, and make sure those who manage the BBC stick to the course we've set.

We guard the independence of the BBC from undue political or commercial pressure and ensure the BBC has high standards – and lives up to them. We make sure the BBC provides excellent value for money in its use of the licence fee, while staying true to its public purposes.

Value for money reviews

To help us examine the value for money achieved by the BBC, we undertake and commission reviews into particular BBC activities. We also receive and respond to value for money investigations undertaken by the National Audit Office. We use these reviews¹ to establish whether the BBC is delivering value for money for licence fee payers and whether there is scope to make improvements.

In 2012, the Trust agreed to commission a value for money review of the BBC's arrangements for distributing its UK content and services.

¹ We publish all the value for money reviews we receive on the [BBC Trust website](#)

The BBC's distribution activities

The universal nature of the licence fee means the BBC needs to deliver all its services, to the same quality, to all parts of the audience. The BBC's strategy documents, *Putting Quality First* and *Delivering Quality First*, set out the key principles for the BBC's distribution activities and the [BBC Agreement](#) places on number of specific duties on the BBC in relation to distribution, including:

- Making the UK Public Services widely available – *'The BBC must do all that is reasonably practicable to ensure that viewers, listeners and other users (as the case may be) are able to access the UK Public Services that are intended for them, or elements of their content, in a range of convenient and cost effective ways which are available or might become available in the future. These could include (for example) broadcasting, streaming or making content available on-demand, whether by terrestrial, satellite, cable or broadband networks (fixed or wireless) or via the internet'* (Clause 12).
- Digital Switchover and the BBC's principal television services – *'No later than the Digital Switchover date, the BBC must secure the objective that substantially the same proportion of households in the UK as can, at the date of this Agreement, receive the analogue television services in analogue form by means of terrestrial broadcasting (that is to say, through a television aerial), can receive all the BBC's principal television services in digital form by that means'* (Clause 35(1)).
- Radio spectrum – *'It is the duty of the Trust to secure the efficient use of the radio spectrum that is available for use by the BBC or its contractors'* (Clause 42).
- Investigation of electro-magnetic interference – *'The BBC must make reasonable arrangements for the investigation, at the BBC's expense, of complaints of interference by electro-magnetic energy affecting domestic television and radio reception within the UK'* (Clause 82).
- Research – *'The Executive Board must ensure that the BBC conducts research and development activities geared to the promotion of the BBC's Public Purposes and which aim to maintain the BBC's position as a centre of excellence for research and development in broadcasting and other means for the electronic distribution of audio, visual and audiovisual material, and in related technologies'* (Clause 87).

The BBC's UK distribution activities can be thought of falling into one of two main categories: 'traditional' distribution or 'online' distribution. Traditional distribution activities include those for digital terrestrial television, digital satellite television, cable, analogue radio and digital audio broadcast radio. Online distribution activities include those for BBC iPlayer and [bbc.co.uk](#).

UK distribution costs represent a significant area of BBC expenditure; some £200million a year is spent by the BBC on television, radio and online distribution, which represents approximately 6 per cent of the BBC's total expenditure, and costs could rise further as online consumption grows and audiences use an increasing range of devices and methods to access BBC services. In this changing landscape it is important for the BBC to make the best use of its resources and secure value for money from its distribution activities.

Scope of review

It is important that the BBC has appropriate arrangements for meeting its obligations in relation to distribution and that these arrangements are working effectively and represent value for money for licence fee payers.

This review will consider whether the BBC is meeting its obligations for distributing its UK services across television, radio and online, and how well placed the BBC is to meet its future UK distribution challenges.

The review will consider the high-level research questions set out below, assessing the BBC's current arrangements and, where issues are identified, make recommendations for improvement.

- 1. Has the BBC established effective governance arrangements to deliver its obligations in relation to the distribution of its UK services across television, radio and online?***
- 2. Is the BBC meeting its obligations to ensure every household has convenient access to BBC services across the UK, free at the point of use, in a cost effective way?***
- 3. How well prepared is the BBC to meet its future UK distribution challenges?***

Appendix I sets out the key considerations for each of the above research questions.

The review is expected to conclude this summer and will result in a written report to the Trust, which will be laid before Parliament and published on the Trust's website.

Appendix I: Research Questions

High level question	Key consideration
<p>1. Has the BBC established effective governance arrangements to deliver its obligations in relation to the distribution of its UK services across television, radio and online?</p>	<p>a) Does the BBC have a clear strategy to deliver its obligations under the BBC Agreement and in accordance with the BBC strategy documents <i>Putting Quality First</i> and <i>Delivering Quality First</i>?</p> <hr/> <p>b) Has the BBC established clear roles and responsibilities in relation to its distribution activities?</p> <hr/> <p>c) Does the BBC have decision-making processes that are coordinated and timely, throughout the UK?</p> <hr/> <p>d) Does the BBC have arrangements to measure the performance of its distribution activities, including the impact on audiences?</p>
<p>2. Is the BBC meeting its obligations to ensure every household has convenient access to BBC services across the UK, free at the point of use, in a cost effective way?</p>	<p>a) Is the BBC safeguarding easy, accessible and open routes to BBC content?</p> <hr/> <p>b) Is the BBC sustaining quality free-to-air platforms?</p> <hr/> <p>c) Looking in particular at the overall relationship between cost of distribution and performance, is the BBC providing value for money in relation to its distribution activities (e.g. improving and streamlining distribution activities, making efficient use of spectrum and containing costs where possible)?</p> <p><i>This will include consideration of whether the BBC uses best practice when dealing with monopoly suppliers and how distribution costs compare to other broadcasters. We anticipate that this area will form a significant part of the report's final conclusions.</i></p> <hr/> <p>d) Is the BBC serving baseline standards of quality, brand attribution and due prominence?</p> <hr/> <p>e) Is the BBC meeting relevant legal obligations?</p> <hr/> <p>f) Is the BBC's decision to invest in distribution methods informed by due consideration of technical feasibility?</p>

High level question	Key consideration
<p>3. How well prepared is the BBC to meet its future UK distribution challenges?</p>	<p>a) Does the BBC have a clear understanding of its key distribution challenges and risks and is it taking the appropriate action to meet those challenges?</p>
	<p>b) Are plans based on a sound understanding of the possible impacts on the wider industry, technological developments and trends in audience behaviors?</p>
	<p>c) Does the BBC have effective plans to develop and invest in new digital technology where there is public value in doing so?</p> <p><i>This should include consideration of plans for the innovation fund agreed as part of the BBC's DQF strategy.</i></p>
	<p>d) Are plans adequately resourced?</p>
	<p>e) Has the BBC considered the use of partnerships and collaborations to help manage its costs?</p>