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Ofcom's annual report on the BBC



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Ofcom's regulation of the BBC

This is Ofcom's first Annual Report on the BBC, covering April 2017 to March 2018. The Royal Charter requires Ofcom to publish a report each year that sets out how we have carried out our functions as the BBC's independent regulator, and assesses the BBC's compliance with the requirements of our Operating Framework, Operating Licence and associated documents.

In this report, we provide our assessment of how the BBC is performing against the backdrop of a rapidly changing media landscape. We also set out the steps we have taken to assess delivery of its mission and public purposes, its impact on competition and to secure its editorial standards.

Separately, we are required to report at least annually on the BBC's performance against the measures we set alongside the Operating Licence. This is provided as an annex to the report and forms the evidence base for our assessment of the BBC's performance against its public purposes.

1.

Overview



Overview

This is Ofcom's first Annual Report on the BBC,¹ covering April 2017 to March 2018. The BBC is a unique institution with a broad remit from Parliament to inform, educate and entertain the public, and to support the creative economy across the UK.

While the BBC Board is responsible for delivering the mission and public purposes set out in the Royal Charter (the "Charter"),² Ofcom's role is to hold the BBC to account on behalf of audiences by providing robust, fair and independent regulation. Our responsibilities cover three key areas: regulating the BBC's performance to ensure it delivers its remit; assessing its impact on fair and effective competition; and securing editorial standards in BBC programming.

The backdrop to our review

This report sets out how the BBC operates in a changing media landscape. In particular:

- **Traditional broadcasters are facing increasing competition from online providers.** Providers such as Netflix and Amazon are offering high-quality content to UK audiences, while platforms such as YouTube offer a diverse range of content from 'how to' videos and vlogs to music videos and long-form content.
- **Audiences are shifting away from live, scheduled programmes towards on-demand and online content.** The trend is being led by younger audiences – more than half of 16-34 year-olds' viewing in the UK is of non-broadcast content. Similar shifts are seen in the audio market.

In light of these trends, the BBC and other UK broadcasters need to adapt to ensure that their content continues to appeal, and that it is available where and when audiences want it.

This report assesses how well the BBC is performing, and sets out four key areas where the corporation needs to go further.

Our main conclusions

Although the media landscape is changing rapidly, the BBC continues to play a central role across TV, radio and online platforms. Its overall reach remains high, with more than nine in ten adults consuming BBC content each week. On average, we estimate that audiences spend around 2 hours 45 minutes with the BBC every day. It also continues to attract big audiences through TV programmes such as *Bodyguard* and radio programmes such as the breakfast show on BBC Radio 2.

The BBC is generally delivering on its remit for audiences through the breadth and quality of its output. It provides a significant volume of news and current affairs, a wide range of learning and educational content, as well as high-quality distinctive and creative content for all audiences across its mainstream and specialist services. Audience satisfaction continues to be relatively high: three-quarters of people say they are satisfied with BBC radio and with BBC online, and two-thirds with BBC TV.

But there are four key areas where it needs to go further:

- **Embedding transparency into its working practices.** The BBC is not sufficiently transparent, particularly in the area of competition. It does not routinely explain planned changes in its public service activities in sufficient detail to potentially affected parties, which it needs to do to assess the potential impact of its activities on competition. The BBC Board should drive improvements here. The BBC's governance arrangements need to ensure sufficient separation between the BBC's public service and its commercial activities. We have raised some concerns about the governance of the BBC's commercial activities, which should be more transparent. We note that the BBC has indicated its intention to enhance transparency in this area.
- **Maintaining its commitment to original UK programmes.** The BBC can distinguish itself through original programmes that reflect UK lives and experiences. It should maintain its focus here and, in light of the funding settlement for this Charter period, be more innovative and take more risks in doing so.
- **Taking significant further steps to engage young people.** As the BBC recognises, it is not currently doing enough, quickly enough, to reach young people, who are critical to its future success. It needs to take significant steps to address this issue, to ensure it delivers content that appeals in ways that suit and reflect young people's viewing and listening habits.
- **Continuing to improve how it represents and portrays the whole of UK society.** Our [Review of representation and portrayal](#) on BBC television has found that the BBC (and TV in general) is better at representing and portraying a wider mix of people than it used to be. But it has further to go in representing and portraying different audiences authentically. We have set tough Licence conditions here, which came into effect this year. We will continue to monitor the BBC's performance in this area, including its compliance with these conditions, and will report in full in our 2018/19 Annual Report.

We have written to the BBC to set out the issues detailed in this report. We will discuss with the BBC how it plans to address them. If we have concerns about the progress made, we will take further action.

Separately, we will review the BBC's news and current affairs output, which is central to its remit. In many respects the BBC is performing well here. It is the most-used source of news and current affairs in the UK. Audiences rate it highly for providing high-quality, trustworthy and accurate news that helps them understand what's going on in the world.

The growing use of online news, by young people in particular, and questions about the trustworthiness of some online news sources, heighten the importance of the BBC's role as a trusted provider of news and current affairs. In view of this, we will review the BBC's news and current affairs output, and how it is adapting to the changing news environment, to ensure it remains a trusted destination for audiences. This will look at how it provides both depth and range of content in its news and current affairs across its TV, radio and online services.



2.

Main findings



Main findings

We set out our main findings here, and provide further detail on the market context, BBC's performance, impact on competition and editorial standards in subsequent sections.³

Our findings are informed by a backdrop of significant change in the media landscape, including increasing competition from online players. Major growth in the use of online and connected devices, as well as superfast broadband, have enabled global online players such as Netflix and Amazon to rapidly establish themselves in the UK. YouTube now reaches more than 44 million people per month.⁴ This increased competition has generated a wide range of new content, from short online videos and podcasts to high-end drama series, commissioned by players with budgets that exceed those of all the UK public service broadcasters⁵ (PSBs) combined.

Audiences are continuing to shift away from live, scheduled programmes to consuming on-demand and online content, increasingly on portable devices. This shift is being led by younger audiences. More than half of 16-34 year-olds' viewing across all devices is of non-broadcast content, including almost an hour per day of YouTube. Similar shifts are seen in audio listening.

The BBC and other traditional broadcasters need to adapt to ensure that their content continues to appeal and that it is readily available where and when audiences want to consume it. Increasingly, public service broadcasters will need to partner with a range of players, finding common ground to navigate the changing landscape to deliver the best results for UK audiences.

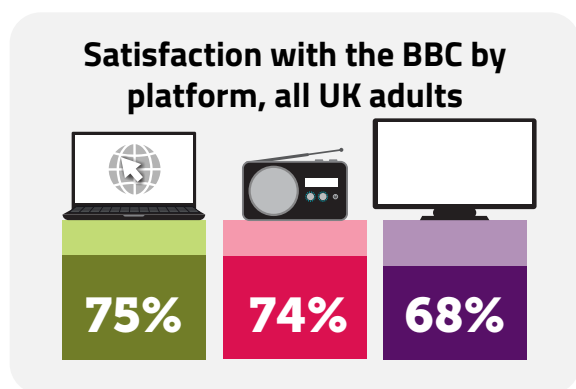
The BBC is generally delivering its remit for audiences

Although the media landscape is changing, the BBC continues to play a central role across TV, radio and online platforms in the UK. Its overall reach remains high, with more than nine in ten adults consuming BBC content each week. On average, we estimate that audiences spend around 2 hours 45 minutes with the BBC every day.

The BBC continues to attract big audiences with TV programmes ranging from *Call the Midwife* to *Blue Planet II* and, more recently, *Bodyguard*. The breakfast show on BBC Radio 2 is the most listened-to radio programme in the UK, with more



than nine million weekly listeners; and Radio 4's *Today* programme reaches over seven million adults each week.⁶ The BBC brings audiences of all ages together, across the UK, through coverage of major events like the football World Cup and the royal wedding. On average, its websites are visited by more than 41 million internet users in the UK each month.⁷



Audience satisfaction with the BBC is relatively high: three-quarters say they are satisfied with BBC radio and with BBC online, and just over two-thirds with BBC TV.⁸ A majority rate the BBC highly for its delivery of the public purposes.⁹

We find that the BBC is generally delivering its remit for audiences. We have looked at a wide range of evidence, including the BBC's output, reach and audiences' views on its performance. Our assessment over the first year of the Charter is that, in general, the BBC is delivering its remit,¹⁰ including through its provision of:

- **A significant volume of news and current affairs content** across its TV, radio and online platforms, helping audiences understand and keep up-to-date with national and international as well as local and regional issues.¹¹ This output is regarded highly by audiences across most aspects, and the BBC is the most-used source for both news and current affairs in the UK.¹²

- **Well-regarded educational and learning content for people of all ages.** The BBC provides TV, radio and online content that helps adults learn about a wide range of subjects, including the arts, music, science and history, much of which would not otherwise be provided by the market in a prominent way. It offers a large volume of children's content on television and supports children's education, particularly through BBC Bitesize online. There is high satisfaction among children who use the BBC website and apps for their school work. The BBC is currently developing its children's content, including BBC Bitesize, to improve its offering across all its platforms.

- **A range of high-quality, distinctive and creative content that differs from other providers' content.** Just over six in ten (63%) adults rate the BBC highly for providing such content across its TV, radio and online services. It provides a wide range of genres on its mainstream services as well as on specialist services; and overall, it provides a range of services that no other commercial broadcaster provides. The vast majority of the BBC's TV output is original UK content.

- **Content that accurately represents and authentically portrays the life and culture of people throughout the UK's nations and regions.** Six in ten (59%) adults rate the BBC highly for its delivery here, although, as we note below, this varies across people from different backgrounds and areas of the UK. The BBC is required to invest in the creative economies of each of the nations, and since 2014, around half of the BBC's spend on network content has been outside London.

In addition, the BBC sets high editorial standards. In the vast majority of cases, the BBC is resolving the editorial complaints it receives effectively and efficiently and is meeting the required content standards.

But the BBC needs to go further in several areas

Ofcom has identified four key areas where the BBC needs to go further to deliver for audiences, which we outline below. These are not areas where the BBC is in breach of existing requirements or obligations, but rather areas where we have identified that it needs to do more. We have written to the BBC setting these issues out and will discuss with it how it plans to address them. We will monitor the BBC's performance in these areas closely over the course of the year and report on its progress in subsequent annual reports. Where the BBC does not make sufficient progress, we will take further action.¹³

1) Embed transparency into its working practices

As a unique, publicly-funded organisation with a privileged status in the UK broadcasting sector, the BBC needs to be transparent and accountable.

This benefits the public, the BBC's competitors and the BBC itself. It builds confidence in the BBC and incentivises compliance with its regulatory obligations.

In this first year, we have taken steps to help improve the transparency of the BBC.¹⁴

We have required the BBC to publish regular information on its editorial complaints and to report publicly on how well its commissioning processes are delivering its diversity aims. We secured commitments from the BBC to preserve transparency when it merged its two largest commercial subsidiaries, BBC Studios and BBC Worldwide. Today we are publishing [a wide range of data](#) on the BBC's performance in delivering against its public purposes, to enable others to see the evidence for themselves.

But the BBC needs to go further to embed transparency into its working practices,¹⁵ **most notably in the area of competition.** While there are cases where the BBC has acted transparently, it does not routinely explain planned changes in its public service activities in sufficient detail



to potentially affected parties. For example, the BBC provided stakeholders with a reasonable opportunity to comment meaningfully on its BBC Scotland proposals. However, more recently, the BBC stated that it was planning to change iPlayer but did not provide adequate information on what the changes were.¹⁶ This makes it harder for the BBC to understand its likely impact on competition,¹⁷ including on the activities and plans of other UK broadcasters. In addition, the BBC has not always provided Ofcom with sufficient detail about its longer-term plans, so that we can assess them in a timely way.

The BBC Board can play a key role in driving increased transparency, including by ensuring that the BBC engages effectively with other UK broadcasters.

The BBC's governance arrangements also need to be transparent. We have raised some concerns about the governance of the BBC's commercial activities, which need to be transparent. We note the BBC has indicated its intention to improve transparency in this area.

Next steps:

BBC: The BBC needs to improve its transparency, particularly in the area of competition. It is for the BBC Board to drive these changes.

Ofcom: We will continue to hold the BBC to account on its transparency. We will work with the BBC Board to ensure that it holds the BBC to a high standard on the transparency of its existing activities and future plans.

2) Maintain its commitment to original UK programmes

The need to produce distinctive programmes lies at the heart of the BBC's Charter; and overall, we find that the BBC is distinctive. It is distinctive in several ways, including through its provision of high-quality content across a range of genres on its mainstream services, as well as specialist services, and those with no directly comparable provider, such as BBC Asian Network, BBC Radio 4, BBC Parliament, CBeebies and CBBC.

But distinctiveness has many aspects, and behind the overall positive picture, we consider that the BBC faces challenges, particularly given increasingly strong competition for audiences, and the drift of younger audiences.

One important way in which the BBC can distinguish itself is through original UK programmes. Viewers and listeners value original programmes made for them. The BBC already broadcasts many programmes that tell UK stories, including highly acclaimed dramas such as *Three Girls*.

But, in common with public service broadcasters as a whole, the BBC's investment in first-run UK-originated content has been declining.¹⁸ The BBC saw declines in licence fee revenue in real terms in 2010. Since then, its investment in first-run UK-originated content has fallen by almost a quarter (23%).

Over the same period, we saw a notable decline in the BBC's hours of first-run UK-originated content in some key genres such as comedy (down 38%), children's (down 30%) and entertainment (down 11%).

The BBC has partially offset the fall in investment through collaborations with other producers and platforms. Such third-party funding increases the BBC's scope to produce costly, original content, such as *Collateral*, a co-production with Netflix. But this kind of funding is largely for programmes with global appeal, as distinct from content which specifically reflects the lives and issues of UK audiences. Furthermore, the BBC's ability to rely on such deals is uncertain.

To remain distinctive amid the increasingly strong competition for TV audiences, the BBC should maintain its commitment to original UK content that reflects UK stories. Within the BBC's funding settlement for this Charter, the BBC will need to be more innovative and take more risks. This applies not just to the type of UK content commissioned, but also to how it is made, and with whom. This may require a significant change in approach for the BBC, as less than six in ten (57%) BBC TV viewers consider it to be taking creative risks and innovating in its programming.¹⁹

Next steps:

BBC: The BBC should maintain its commitment to original programmes that reflect UK voices, lives and experiences. To do so, it needs to be more innovative and take more risks, including in relation to how it makes original UK content and with whom.

Ofcom: The BBC's distinctiveness will continue to be a key area of focus for Ofcom's monitoring and subsequent annual reports on the BBC. We will discuss with the BBC the steps it will take to maintain its commitment to original UK content, and how it will be more innovative and take more risks.

3) Take significant further steps to engage young people

To be distinctive, the BBC needs to serve all audiences, but it is not reaching enough young people, who are turning away from BBC TV and radio services.^{20 21} In part, this reflects a wider structural shift in their viewing habits. But when they do watch broadcast TV on a TV set, young people spend almost as much time watching ITV as BBC One (whereas viewers as a whole spend much more time watching BBC One than ITV).²² Younger people are also more likely to listen to commercial, rather than BBC, radio stations.

Young people are using BBC online and the BBC iPlayer, but the BBC's overall reach among young people is still lower than among all adults. We estimate that on average, young people spend around one hour and twenty minutes with the BBC every day, which is around half as much time as audiences overall.²³ Few young people choose to watch BBC Three online.²⁴

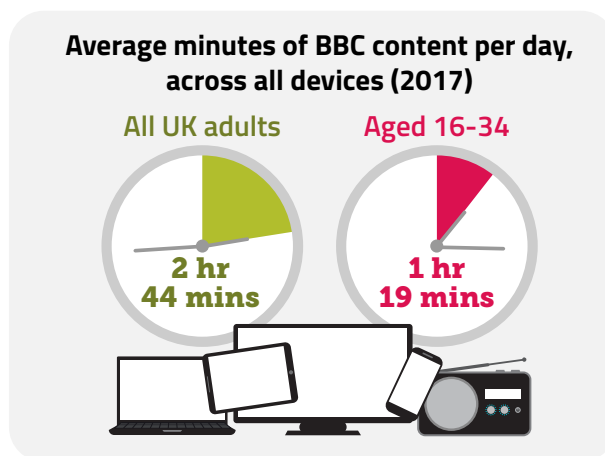
More generally, our qualitative research into the distinctiveness of the BBC has found that some young people feel the BBC focuses on older audiences. Young people also want the BBC to take more risks and felt it was too reliant on conventional formats.

The BBC recognises it needs to do more, more quickly, to reach young people, who are critical for its future success. It has outlined how it will do things differently to serve them. As well as providing content that appeals, it needs to find new ways of reaching younger people that suit and reflect their viewing and listening habits.

Next steps:

BBC: The BBC needs to take significant steps to ensure it engages effectively with young people. It is working to address this issue.

Ofcom: We will discuss with the BBC how it plans to address this issue and monitor the impact of the changes it makes. If we do not see sufficient progress here we will consider further measures.



4) Continue to improve how it represents and portrays the whole of UK society

The way the BBC reflects, represents and serves the whole of UK society²⁵ has been a key focus for Ofcom and for the BBC this year. Understanding and representing all of UK society, including the nations and regions, also helps the BBC to resonate as a distinctive broadcaster.

We included a number of new conditions in the BBC's Operating Licence,²⁶ such as requiring the BBC to report on the diversity of its commissioning processes, its progress towards meeting on- and off-screen representation and portrayal targets, and audience satisfaction.²⁷ These conditions came into effect in 2018 and will be reported against for the first time next year.²⁸ We also launched a review of how the BBC represents and portrays people across the whole of the UK on TV (the "representation and portrayal review").²⁹ Separately, the BBC has been taking steps to improve diversity through its Diversity and Inclusion Strategy 2016–2020, which sets out several initiatives and targets to achieve greater diversity by 2020.³⁰

In our representation and portrayal review,³¹ audiences told us that the BBC, and TV in general, is better at representing and portraying a wider mix of people than it used to be. While historically some groups were marginalised on TV, people feel the situation has improved and things are changing for the better.

But some people still feel less visible on TV.

Representation of older women is felt to be restricted to a subset of roles and genres, and some people feel BBC content reflects the lives of middle class people more than those from other backgrounds.

Others raised concerns about being presented in one-dimensional, inauthentic or stereotypical ways. For example, some disabled people said that the BBC, and TV in general, tends to focus on their difficulties and struggles.

While the BBC is seen to compare well to others in representing and portraying the nations and regions, there is a clear appetite to do more.

People in the nations cited several examples of positive representation and portrayal such as *Peaky Blinders* (Birmingham, England), and *Keeping Faith* (Wales). But people want to see more representation of the UK outside of its major cities, and especially London.

Our findings advocate a more nuanced approach to programme making to reflect diversity within groups as well as between them. A richer understanding of this diversity helps broadcasters make programmes that feel more authentic to their audiences.

Next steps:

BBC: We welcome the progress the BBC has made to date. We expect it to continue to make progress in this area in the light of the findings of Ofcom's representation and portrayal review.

Ofcom: The review will act as a baseline for assessing the BBC's future performance, which we will continue to monitor. We set a number of enforceable conditions in the BBC's Operating Licence to ensure that it delivers for all UK audiences. However, as these conditions only came into effect in 2018, a full picture of how well the BBC is doing will not be available until our 2018/19 annual report. If we find that the BBC is failing to meet its objectives, or if we decide progress is too slow, we will consider revising the Licence conditions.

The BBC's provision of news and current affairs is critically important

The BBC is required to provide impartial news and information to help people understand and engage with the world, as set out in public purpose 1. This role is central to the BBC's remit and it is recognised as a key function by individuals and UK society.

Today's news environment is complex. The growth of news online, and the way it is delivered over smartphones and social media, have led to rapid changes in how we consume news and in the number of sources available. There are also questions about the trustworthiness of some social media and other online news sources. These developments heighten the importance of the BBC as a trusted provider of news and current affairs.

In many respects, the BBC is performing well in this area. It is the most-used source of news across TV, radio and online platforms. It is also the most commonly followed news organisation on key social media sites. When we asked audiences to rate different aspects of the BBC's news, more than seven in ten rated the BBC highly for providing high-quality, trustworthy, and accurate news, that helped them understand what's going on in the world. More than eight in ten rate the BBC's current affairs TV programmes highly for providing high-quality commentary, investigative journalism, and for helping them understand what is going on in the world.³²



Given its growing importance in an increasingly complex news landscape, we will review the BBC's news and current affairs output and how it can continue to be a trusted destination for audiences.

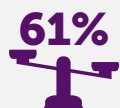
This will inform our consideration of the BBC's delivery of purpose 1 over the Charter period. We will look at how the BBC is adapting to the changing news landscape to ensure it remains relevant to, and delivers news and current affairs for, all audiences.

In particular, we will look at how it seeks to provide both depth of analysis and range of content in its news and current affairs output across its TV, radio and online services. This is key to helping audiences engage fully with major local, regional, national and global issues and participate in the democratic process, and the BBC has a particular responsibility here, given its remit.³³ In addition, the BBC's impartiality underpins its role as a trusted provider of news. In view of this, and the public's strong interest in the BBC's impartiality, we will look at the tools and techniques it is using to ensure it continues to deliver impartial news and current affairs in the changing news environment.

Of regular BBC TV news viewers:



rate the BBC's news highly for helping them understand what's going on in the world today



rate the BBC highly for providing impartial news



rate the BBC highly for being trustworthy

3.

Market context



Market context

The landscape in which broadcasters operate is undergoing a period of rapid change.³⁴ Major growth in the use of online and connected devices and superfast broadband has enabled the entry of big online players with significant programme budgets. Viewers now have a wealth of choice over how, where, when and what they watch. These changes bring both challenges and opportunities for the BBC and other traditional broadcasters, which need to adapt to ensure that their content continues to appeal to and reach audiences wherever they are.

Importance of public service broadcasters

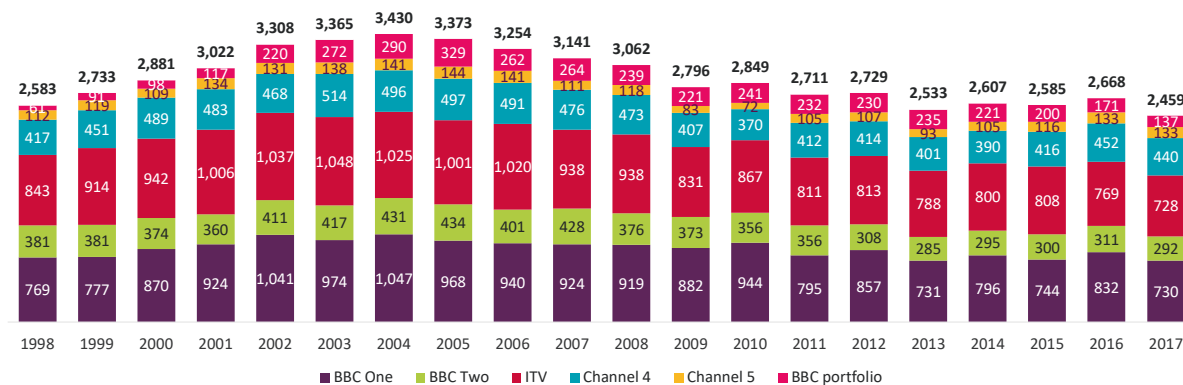
The PSBs play a key role in UK broadcasting. They provide trusted and impartial news and offer high-quality UK-originated content that is available

to all, free at the point of use. They also offer programming that would be less well provided if left to the market, such as arts, religion and original children's programmes. The BBC is the cornerstone of the PSB system and is expected to play an instrumental role in its future.

Satisfaction with PSBs is high,³⁵ and PSB channels still account for half of all daily broadcast viewing.³⁶ BBC One remains the single most-viewed broadcast channel, attracting 22% of all daily viewing.³⁷ PSBs remain a trusted source of news, and viewers consider *informing our understanding of the world* to be the most important of the PSBs' purposes.³⁸

Total PSB network spend on new UK-originated content was £2.5bn in 2017. This represents a 28% fall in real terms from the 2004 peak of £3.4bn. The BBC's own spend on new UK-originated content fell by 23% between 2010 and 2017.

Figure 1: PSB network spend on first-run UK originations, by channel (£m)



Source: Ofcom/broadcasters. Note: Figures are expressed in real terms. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News and BBC Parliament. Figures do not include S4C, BBC Alba or BBC HD and nations'/regions' programming.

Part of the decline in BBC spend was due to lower licence fee revenue. Between 2010 and 2016 the licence fee was frozen, and the BBC saw its funding fall by 4.3% in real terms between 2010 and 2017.³⁹ Although commercial PSBs' net advertising revenue

was relatively stable between 2012 and 2016, it fell by 9% in real terms in 2017.⁴⁰

Growth in competition from large online players

Many different players are now competing with the BBC and other UK broadcasters for viewers. YouTube offers viewers a diverse range of content online, including music videos, vlogs, some long-form content and 'how to' videos. Netflix, Amazon Prime Video and NOW TV offer varying kinds of subscription services with exclusive programmes and catalogues of archive content, including PSB content, available on demand. Other global companies such as Facebook and Apple have also entered the online video content market.⁴¹

Some of these large online players have substantial programme budgets, and increasingly invest in their own original content. Netflix spent an estimated £4.8bn on content globally in 2017, while Amazon Prime Video spent approximately £3.8bn on content that year.⁴² Such budgets exceed the combined network programme spend of £2.8bn for the PSBs in 2017.⁴³ This original content has helped drive increased subscriptions to on-demand services,⁴⁴ which now outnumber those to 'traditional' pay-TV services.⁴⁵

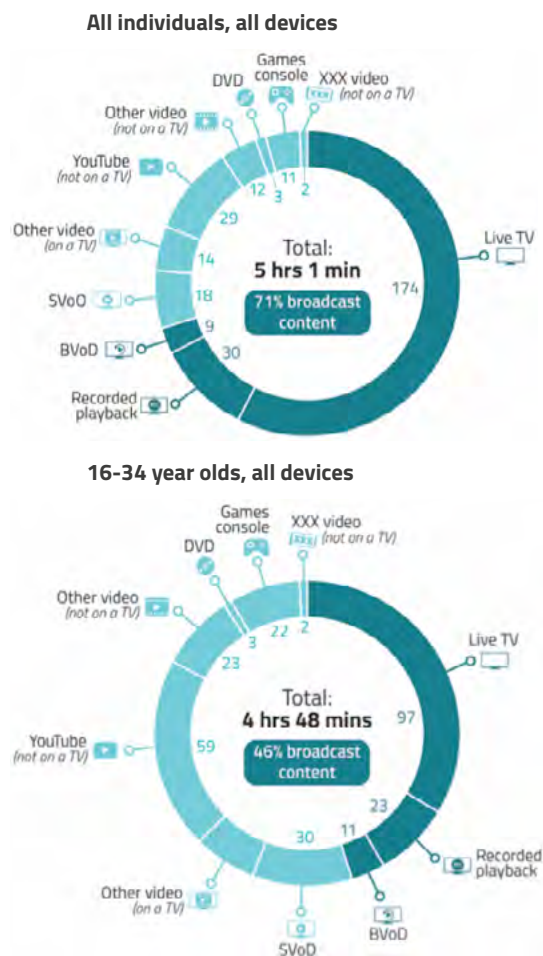
Changing viewing habits

Changes in technology have enabled fundamental shifts in viewing habits, allowing people to watch programmes whenever and wherever they want, including on different devices. More than half of UK TV households now have a television set that is connected to the internet, 78% of adults have a smartphone and 58% have a tablet.⁴⁶ On average, audiences are spending less time watching broadcast TV, as on-demand and online services compete with broadcasters for audience time.⁴⁷

This shift is primarily being driven by younger audiences. More than half of 16-34 year-olds' viewing across all devices is of non-broadcast content, including almost an hour a day of YouTube content away from the TV set. As a result, the profile of broadcast TV viewers continues to get

older. Over-54s now account for more than half of broadcast TV viewing in the UK, and over 60% of viewing of BBC One and BBC Two.⁴⁸

Figure 2: Total audio-visual viewing time spent per day, all individuals vs. 16-34s: 2017



Source: Ofcom/BARB/BARB TV Player (census data)/TouchPoints/comScore⁴⁹ SVoD = subscription video on demand; BVoD = broadcast video on demand

The shifts in viewing habits have led to a fragmentation of viewing across different platforms. Traditional broadcasters, including the BBC, need new ways of reaching people, so that their content is easy to find, and view, wherever the audience is. This is particularly necessary in order to reach young audiences.

Changes in how people access news

The proliferation of news stories online is changing the way in which many people access news. Although TV continues to be the most-used platform for news overall, the internet is now more widely used than radio or print newspapers.⁵⁰ However, young people primarily access news online rather than on TV. Social media is the most common way of accessing news on the internet and is used by more than four in ten (44%) UK adults.⁵¹ Among these users, the top two sources for news are Facebook (76%) and Twitter (32%).⁵²

Many people describe today's news landscape as 'busy' or 'overloaded'. Some find this overwhelming and feel a social pressure to keep up with the latest news. While some have concerns about the trustworthiness of social media and other online sources as a source of news, many do not have the time or inclination to think carefully about this.⁵³ The growing public debate around 'fake news' makes the role of the PSBs as providers of trustworthy news more important than ever. This is particularly true for the BBC, across its TV, radio and online platforms.

PSBs need to adapt to the digital age

The growth in competition and changes in viewing habits bring opportunities as well as challenges for PSBs, particularly as sources of trustworthy news and providers of high-quality UK programmes that reflect the lives of viewers across the UK.⁵⁴

However, realising these opportunities requires change. The PSB system as a whole has adapted well to past technological and market developments, and PSBs are already adapting their approach. For example, they have moved from offering predominately catch-up on-demand services to offering a larger back catalogue of original and acquired programmes and box-sets. The BBC is adapting iPlayer, originally a catch-up service, towards being a wider service for long-form, short-form and live content.

As explored in our March 2018 paper [Public service broadcasting in the digital age](#), the cost of distribution and content are such that PSBs need to work together to give themselves greater scale. PSBs are already using commercial partnerships and co-production arrangements to secure additional funding⁵⁵ for new content. This third-party funding has more than doubled in real terms over the last ten years, reaching £338m in 2017.⁵⁶ However, such arrangements may require the programmes to have global, as opposed to UK-specific appeal and relevance, and may limit the PSBs' scope to resell the rights. And the future security of this funding is uncertain, given global content providers' increasing focus on producing their own original content.

There are other examples of collaboration, such as Britbox in the U.S. and Canada, which is a joint venture between BBC Studios and ITV plc, and offers a subscription video on demand service showing current and past BBC and ITV series. Another example is the recently announced commercial deal between Sky and Channel 4 which will see content shared between the broadcasters' channels and online platforms.

Broadcasters are best placed to identify further opportunities for collaboration. We believe there is scope for PSBs to explore new ways of working with each other and with other market players, to create content that appeals to UK audiences, (including more investment in original UK content), and to find innovative ways of reaching different audiences and ensuring that their content is carried prominently.

Ofcom is carrying out other reviews to ensure that the PSB system continues to deliver for audiences across the UK: a consultation on [proposed changes to linear electronic programme guides](#) and the future of the prominence regime; a review of [regional TV production and programming guidance](#); and a [review of children's content](#).



Changing radio landscape

More than half of all radio listening is now through a digital platform, such as a DAB radio set or a smart speaker.⁵⁷ Online listening continues to grow in popularity and music streaming services are now the most popular listening activity among young people.⁵⁸ On-demand music streaming services such as Spotify and Apple Music account for 12% of all audio listening, and 41% among 15-24 year-olds.⁵⁹ Although still attracting low numbers, podcasts are beginning to gain traction, with an increasing number of established and independent providers offering a variety of original and catch-up content. The number of UK adults who listen to a podcast each week increased from 3.2 million (7% of adults) in 2013 to 5.9 million in 2018 (11% of adults).⁶⁰

Despite the increase in competition for audio listeners, broadcast radio continues to maintain its reach of nine in ten adults in the UK.⁶¹ 71% of all audio listening is to live radio, although this drops to 31% for 15-24 year-olds.⁶² National commercial radio services are attracting younger listeners, with their reach now at 42% of 15-24 year-olds, up from 38% ten years ago, in contrast to other radio stations which have seen their young audiences decrease.⁶³

UK radio providers are also evolving their services to include online listening, and the BBC remains one of the most popular and prolific producers of podcasts in the UK. It is currently developing a new app, BBC Sounds, to give audiences easier access to its audio content. Other PSB television broadcasters are also innovating in the online audio space; for example, ITV launched a companion podcast to *Love Island* this year and Channel 4 launched an in-depth interview series, *Ways to Change the World*.

4.

The BBC's performance



The BBC's performance

Introduction

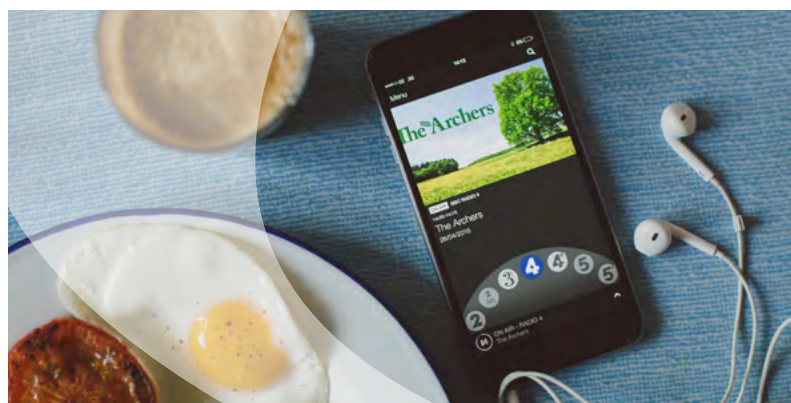
The BBC has been given a clear mission that it needs to fulfil, and a wide-ranging set of public purposes to promote.⁶⁴ To ensure that it does so, Ofcom must impose requirements in an Operating Framework and set enforceable regulatory conditions in a Licence, and may also set measures to assess the BBC's performance more broadly.

As we describe in Section 2, the environment in which the BBC operates is changing. The BBC needs to adapt effectively to the digital age to ensure that it delivers its remit. In doing so, it needs to carefully navigate potential tensions between the different purposes, and between its promotion of the purposes and its impact on competition.

Nonetheless, the BBC continues to play a central role across TV, radio and online platforms. Its reach remains high, and on average, we estimate that audiences spend around 2 hours 45 minutes with the BBC every day.⁶⁵ Audience satisfaction with the BBC continues to be relatively high, and a majority agree that it is delivering its public purposes well.⁶⁶ The BBC brings audiences across the UK together, through coverage of major events such as the football World Cup and the royal wedding. On the basis of the evidence set out in our Performance Report, we consider that it is generally delivering its remit for viewers and listeners.⁶⁷

But we have identified a number of areas where the BBC needs to go further, particularly in terms of distinctiveness. Separately, given the changing news landscape and the critical importance of the BBC's role in providing news and current affairs in the UK, we are launching a review of this output to inform our assessment of the BBC's role over the Charter period.

The **BBC** needs to **adapt effectively** to the **digital age**



How we hold the BBC to account for its performance

Under the Charter, we must set an Operating Framework containing provisions that enable effective regulation of the BBC and a Licence containing the regulatory conditions that we consider appropriate for "requiring the BBC -

- (a) to fulfil its Mission and promote the Public Purposes;
- (b) to secure the provision of distinctive output and services; and
- (c) to secure that audiences in Scotland, Wales, Northern Ireland and England are well served."

We can place sanctions on the BBC, including fines, if it fails to meet these regulatory conditions.

We can also set **performance measures** to provide a broader picture of how well the BBC is delivering its remit, beyond the regulatory conditions.

We need to conduct at least two in-depth **reviews** of the BBC's performance and can carry out additional reviews where we feel appropriate.

The Operating Framework and the BBC's Licence

Ofcom is required by the Charter to set an Operating Framework covering the full range of our responsibilities. We have set that Framework in a series of documents which impose requirements on the BBC and provide guidance on our regulatory approach.⁶⁸

Together with the Operating Framework, we set [the BBC's first Licence](#) under the Charter in October 2017. The Licence safeguards the BBC's delivery in key areas. Compared to previous licences, it includes increased requirements for the BBC, such as increased quotas in the amount of original UK content that it needs to broadcast, and new requirements in areas such as arts, music, and children's content which help serve the BBC's purposes to support learning and to be distinctive. The BBC must spend broadly the same on programmes per head in every nation. We also included conditions in the Licence to require the BBC to be more accountable for the way it operates, particularly in relation to diversity.⁶⁹

The Licence came into force on 1 January 2018, although some conditions did not take effect until April 2018. Since then, we have increased the proportion of 'new music' that Radio 1 and Radio 2 must play during daytime under the Licence.⁷⁰

For this first annual report on the BBC, we have assessed the BBC's compliance with the conditions that came into force on 1 January 2018 and were set on a daily, weekly or ongoing basis.⁷¹ Our assessment covers the period January to March 2018 (the 'relevant period').

Our overall assessment, based on the evidence we have gathered, is that the BBC complied with the requirements of the Operating Framework and the Licence conditions to the extent that they applied during the relevant period. We set out the BBC's compliance against the requirements and conditions in [Annex 1](#).⁷² We expect to have an ongoing dialogue with the BBC about the approach they and we will take to assessing compliance in future years.

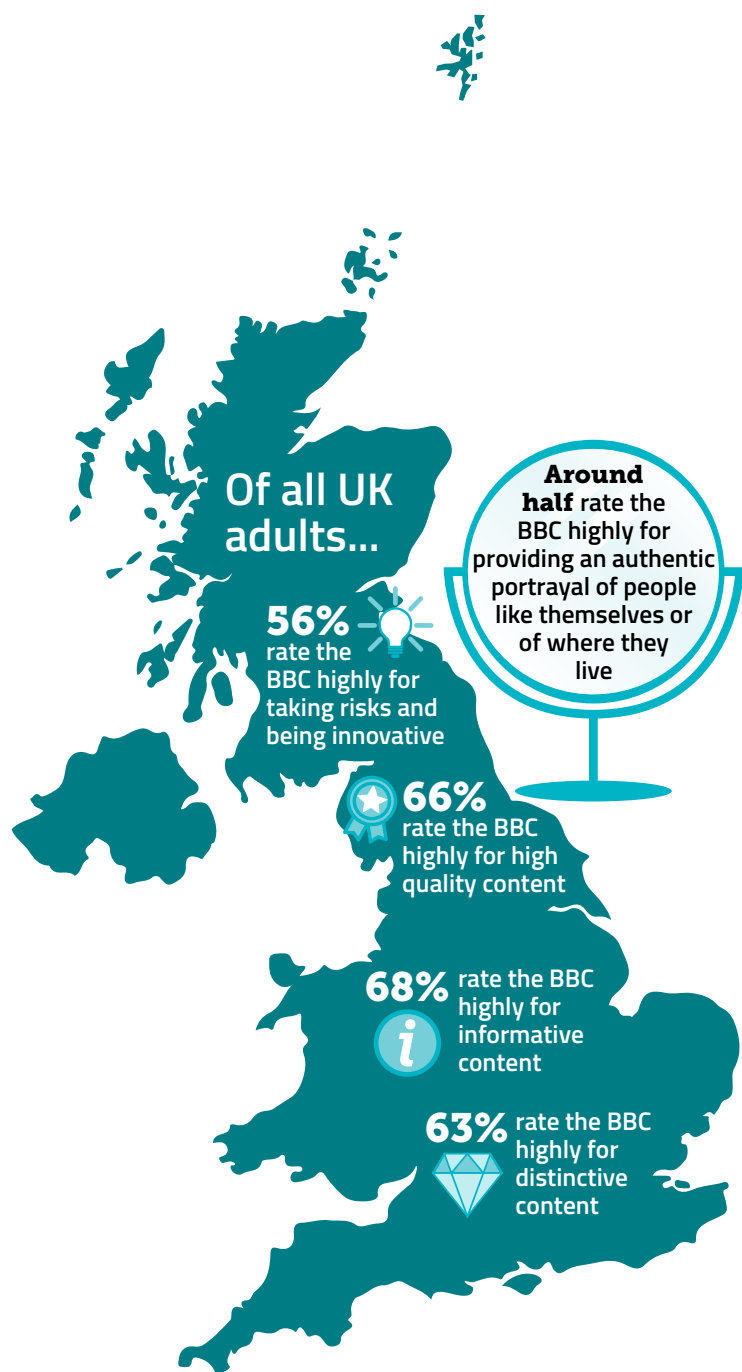
The BBC is expanding its digital services, which may help it deliver the public purposes, particularly as audiences consume more media online. As the public's needs and tastes evolve, we will consider how best to take account of this, including whether we need to change the Operating Framework, Licence or performance measures.

The performance measures

In October 2017, we published a framework for assessing the BBC's wider performance in delivering the public purposes. This included measures such as the range and type of content available on the BBC, the extent to which audiences view or listen to the BBC's content, and audiences' views on the BBC's content and delivery of the public purposes.⁷³ These measures enable us to monitor the BBC's performance over time. They can provide an early warning sign of areas of potential underperformance by the BBC and may, for example, inform a change to the Licence, or a decision to launch a review.

We have used the measures to carry out our first assessment of the BBC's performance in delivering the public purposes, as set out more fully in the Performance Report at [Annex 2](#). This draws on a [wide range of data](#), which we are publishing to improve transparency over how the BBC is delivering its remit. It also draws on our ongoing engagement with industry, consumer and academic stakeholders.

We find that the BBC is generally delivering its remit, through the breadth and quality of the output and services it delivers and its high reach within the UK, but there are areas where it needs to go further.



Public purpose 1:

Providing impartial news and information to help people understand and engage with the world around them

News and current affairs play a key role in people's lives, helping them understand what is happening in the world, hold others to account, and make informed decisions when voting. We have seen significant changes in how people consume news, with many now accessing news online, especially via social media. People have highlighted the challenges they can face in trying to keep up with the wide range of news stories online, and voiced concerns about how trustworthy social media is as a news source.⁷⁴

These changes serve to increase the importance of this public purpose. The BBC needs to lead the way in providing trustworthy news and current affairs content across all platforms, to help UK audiences engage effectively with the world around them. The current news environment makes this challenging. As national debates become more polarised, it becomes harder for broadcasters to be seen to be accurate and impartial. The BBC has to ensure that it devotes the appropriate resources to maintain its position.^{75 76}

In many respects, the BBC performs well here

The BBC continues to produce a significant volume of news and current affairs content.⁷⁷ Despite significant shifts in how people access news, four-fifths (79%) of audiences say they use the BBC for news,⁷⁸ and BBC One is the single most popular source in the UK.⁷⁹ The BBC is the most-used news source on TV, radio and online platforms, as well as the most commonly followed news organisation on key social media sites (Facebook, Twitter, Instagram and Snapchat). Young people primarily consume news online, and the BBC is also one of their main news sources.⁸⁰

We asked audiences to rate different aspects of the BBC's news and current affairs. More than seven in ten told us that they rate the BBC highly across a number of aspects, including for providing high quality, accurate and trustworthy news content that helps them understand what is going on in the world.⁸¹ According to the Reuters Institute [Digital News Report 2018](#), UK respondents trusted BBC news most out of all news brands.

More than eight in ten rate the BBC's current affairs TV programmes highly for providing high quality commentary and interpretation of events/ issues, providing investigative journalism, and helping them understand what is going on in the world.⁸²

The BBC needs to provide a range and depth of analysis and content not available elsewhere

Under purpose 1, the BBC needs to provide a range and depth of analysis and content not widely available from other UK news providers. This helps audiences engage with local, regional, national and global issues, and participate in the democratic process.

Six in ten people rate the BBC's TV and radio news highly, and two-thirds (66%) rate its online news highly, for this aspect. These are lower ratings than for many other aspects of the BBC's news provision,⁸³ and Sky's TV and online news are rated more highly than the BBC's.⁸⁴ While just over eight in ten audiences (83%) rate the BBC's current affairs highly for providing a good depth of analysis,⁸⁵ we have noted an increase in the proportion of panel-style current affairs programmes shown on BBC TV,⁸⁶ which do not tend to reflect in-depth investigative journalism. In addition, we are concerned that the BBC has also more than halved the hours of *This World*, its only dedicated international current affairs show.⁸⁷

The BBC has a particular responsibility here, given its remit, and can provide an important counterbalance to news accessed through social media. We think there is value in looking further at how the BBC provides depth of analysis and range of content in its news and current affairs across its TV, radio and online platforms.

It is important for the BBC to preserve its role as a trusted news provider

The BBC's impartiality is key to its role as a trusted news provider and is subject to considerable public interest and scrutiny, particularly on issues of significant national interest. In the first year of regulating all areas of the BBC's content standards, we examined 69 impartiality complaints. None of these was found in breach of the due impartiality requirements of the Broadcasting Code.⁸⁸ Even so, when asked, six in ten people rate the impartiality of the BBC's TV and radio news highly, which is a lower rating than for many other aspects of its news provision;⁸⁹ and ITV is rated more highly than the BBC for the impartiality of its TV news.⁹⁰

Given its critical importance and the changing news landscape, we will review the BBC's news and current affairs output

In recognition of the ongoing importance of the BBC's role as a trusted provider of news and current affairs in the UK, and the challenges it faces in maintaining that role in a complex and rapidly changing news environment, we are going to review its news and current affairs output. We will look at how the BBC is adapting to ensure that it remains relevant and can continue to act as a trusted destination for all audiences. This will look in particular at the depth of analysis and range of content the BBC provides, as well as the tools and techniques the BBC uses to deliver impartiality in the changing news environment.

A review will inform our overall consideration of its delivery of purpose 1 over the Charter period, in the context of a growing use of online news.

Public purpose 2: Supporting learning for people of all ages

The BBC provides informal learning content for adults, such as science, history, arts and religious content, across its TV, radio and online platforms. CBeebies and CBBC offer informal learning content for children, while online, BBC Bitesize offers more formal learning content for children and teenagers.

The BBC delivers learning content that is well regarded by audiences

Two-thirds of audiences rate the BBC highly for the delivery of its education and learning output.⁹¹ Viewing figures for informal learning content have held up well,⁹² despite an overall decline in TV viewing in the UK.⁹³ The most-watched TV programme of 2017, *Blue Planet II*, brought natural history and ocean conservationism to a peak-time audience of 14 million with its first episode,⁹⁴ and became the iPlayer's most popular programme of the year.⁹⁵

Between 2010 and 2017, the BBC increased the total amount of informal learning content on TV by just under 10% to 5,411 hours. This content included programming in key PSB genres such as arts, music and religion, as well as other genres such as history, nature and wildlife, and science, medical and technology. However, within this overall picture, we note that over this period the BBC reduced the broadcast hours of the key PSB genres of arts and religious programming, and increased the proportion of repeats in some genres.⁹⁶ We will monitor the BBC's commitment to these key genres, as well as the overall trends in the provision of informal learning content on TV and radio, to ensure it does not become overly reliant on repeats in fulfilment of this purpose, and that it broadcasts sufficient content in key genres, including during peak hours.

BBC online has dedicated sections on arts, history, music, the natural world and science and technology (*Tomorrow's World*). We have limited data here and will work with the BBC to obtain better data on audiences' use of this content.

The BBC is performing better in its provision of informal learning for children under 6 years old than for 6-12 year-olds

CBeebies broadcasts content to educate and entertain children under 6 years old. The stability of its reach, and the relatively stable amount of time that 4-6 year-olds spend viewing CBeebies, suggests that the BBC is performing relatively well here.⁹⁷ However, although the hours of factual content on CBBC (a service aimed at 6-12 year-olds) have increased significantly since 2010 (up by 28% in 2017),⁹⁸ there has been a significant decline in the reach and viewing of CBBC over this period.⁹⁹ This may in part reflect children's growing use of online sites such as YouTube, as highlighted in the update on our children's content review.¹⁰⁰

The BBC has noted this decline and has stated that it will place greater emphasis on its online services for children as it moves to a more multiplatform-based offering.¹⁰¹ We will monitor the impact of the BBC's new strategy for providing content for children across its platforms to ensure that its informal learning content reaches children of all ages.

The reach of BBC Bitesize has declined: the BBC is taking steps to develop the service to address this

Children and parents are largely satisfied with the BBC's provision of formal learning content. Six in ten children (60%) aged 8-15 who go online say they use BBC websites and apps, such as BBC Bitesize, for their school work and homework.¹⁰² However, the weekly reach of BBC Bitesize declined by 11% in Q1 2018 compared with Q1 2017.¹⁰³ This is notable, given the growing importance of trusted online learning resources for children and teenagers. The BBC has set out proposals to develop BBC Bitesize by increasing personalisation and enhancing the service through tailored and targeted learning.¹⁰⁴ We will monitor its progress closely.



Public purpose 3:

Showing the most creative, highest quality and distinctive output and services

Delivering the most creative, highest quality and distinctive output and services lies at the heart of the Charter. The BBC is expected to provide high-quality output in many different genres and across a range of platforms. Its services should be distinctive from those provided elsewhere, and it should take creative risks, even if not all succeed, to develop fresh approaches and innovative content.

The BBC is distinctive overall, but faces challenges in two key areas

We have found that, overall, the BBC is distinctive. It is distinctive in a number of ways, including through its provision of high-quality content across a range of genres on its mainstream services, as well as through specialist services such as BBC Asian Network, BBC Parliament, CBeebies and CBBC. It provides a range of services that no other commercial broadcaster provides. Its mainstream radio stations, BBC Radio 1 and BBC Radio 2, play a broader range of music than do key commercial providers.¹⁰⁵ The majority of audiences (63%) rate the BBC's provision of distinctive content highly.¹⁰⁶

However, being distinctive requires many things from the BBC. Behind the overall picture, the BBC faces challenges in the following two key areas.

The BBC should maintain its commitment to original UK programmes that speak directly to UK audiences

UK audiences value content that reflects their lives.¹⁰⁷ The vast majority of the BBC's TV output is UK content.¹⁰⁸ Two-thirds (66%) of BBC TV viewers rate the BBC highly for showing TV programmes and content made specifically for UK audiences, using UK actors, writers and locations.¹⁰⁹ We consider the BBC is uniquely placed to distinguish itself by broadcasting a broad range of high-quality UK content that reflects UK voices and resonates with UK lives.

However, in common with PSBs as a whole, the BBC's investment in original UK content has fallen. The BBC started to see a real-terms decline in licence fee revenue in 2010, and although the BBC has increased the proportion of its total TV content spend which is on first-run UK originations, between 2010 and 2017 its investment in original UK content fell by 23% in real terms.¹¹⁰

Over this period, there was also a decline in the hours of original UK content across most non-news genres, including key genres such as comedy (down 38%), children's (down 30%), and entertainment (down 11%).¹¹¹

Funding from third parties such as Netflix has supplemented the BBC's spend on original content, leading to new programmes such as *Collateral*, and the forthcoming *Good Omens*.¹¹² This third-party funding enables the BBC to broadcast, and UK audiences to enjoy, content the BBC may not otherwise have been able to produce. But third-party funding is typically focused on programmes with global appeal, rather than content that specifically reflects the lives and issues of UK audiences. It is also uncertain whether the BBC can continue to rely on such deals, given online players' increasing focus on producing their own content.¹¹³

To remain distinctive amid the increasingly strong competition for TV audiences, the BBC should maintain its commitment to original UK content. To do so within its budget, the BBC will need to show greater creative ambition, innovation and risk-taking – not only in the type and range of UK content that the BBC commissions, but also in how that content is made and with whom. This may require a significant change in approach for the BBC, as fewer than six in ten (57%) BBC TV viewers consider that it is taking risks or being innovative in its programming.^{114 115}

We will discuss with the BBC the steps it will take to maintain its commitment to original UK content, and how it will be more innovative and take more risks in doing so.

The BBC is not doing enough to engage young people

One of the ways in which the BBC can distinguish itself is by providing content that serves a range of UK audiences. To do so, it needs to expand its reach among audiences that are less well served while continuing to serve audiences among whom its reach is already high.

An important task facing the BBC is serving young people, who are turning away from BBC TV and radio services. Even though their overall impression of the BBC is relatively high, they are much less likely than average to watch BBC TV or listen to BBC radio.^{116 117}

Fewer than six in ten (57%) BBC TV viewers consider that the BBC is taking risks

92% of adults consume BBC content each week, though this varies by age:

86% of 15-34 year-olds



96% of those aged 65 and over



To an extent, this reflects a marked shift in young people's viewing and listening habits, away from broadcast TV and radio to on-demand and online content. But even when they do watch broadcast TV, they spend less time than average watching the BBC (and PSBs more generally), choosing instead to watch a broader range of channels. Notably, they spend almost as much time watching ITV as BBC One, (compared to viewers as whole who watch around one and a half times as much BBC One as ITV).¹¹⁸ Young people are also more likely to listen to commercial radio stations than to BBC radio stations.¹¹⁹

Young people are using BBC online and the BBC iPlayer, but the BBC's overall reach among young people is still lower than among adults as a whole.¹²⁰ We estimate that, on average, young people spend around half as much time with the BBC as do audiences overall.¹²¹

BBC Three is aimed at 16-34 year-olds and moved from being a scheduled channel to an online service in 2016. But it does not yet appear to have succeeded in attracting a significant proportion of young viewers; only 8% of young people watch it each week.¹²² Our qualitative research found that some viewers of BBC Three, including young people, said they watched BBC Three less, or not at all, following its move online, and some expressed regret at this move.¹²³



More generally, our qualitative research into the BBC's distinctiveness has found that some young people feel that the BBC focuses on older audiences.¹²⁴ Some young people think it needs to take more risks and suggested that there is too much reliance on conventional formats with content that is similar to existing output.¹²⁵

The decline in use among young people is a concern, not only because this audience group is less well served, but because young people are critical for the future relevance and success of the BBC. Addressing this issue will require the BBC to provide content that appeals to young people, and to find the best ways of reaching them, which suit and reflect their viewing and listening habits.

The BBC recognises that it needs to do more and has outlined plans to "reinvent the BBC for a new generation."¹²⁶ We will discuss with the BBC the steps it is taking to address this issue and monitor the impact of changes made. If the BBC does not make sufficient progress, we will take further measures.

Given its unique position and funding within the UK broadcast sector, the BBC should lead the way

Public purpose 4:

Reflecting, representing and serving the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom

Public purpose 4 contains two significant and substantial aspects. The BBC must deliver for the whole of UK society and support the creative economy across the UK.

Given its unique position and funding within the UK broadcasting sector, the BBC should lead the way in reflecting and representing the diversity of the UK, including its nations and regions. This will also help the BBC to resonate as a distinctive broadcaster. Producing content that connects with audiences will help it retain its status as the UK's leading broadcaster in an increasingly competitive market.

Audiences are generally positive about the BBC's services and recognise it has improved how it represents and portrays UK society

Audiences are generally satisfied with the BBC's services.¹²⁷ People in higher managerial and professional occupations,¹²⁸ young people aged 16-24 years old and non-disabled people have a higher overall impression of the BBC across its services, whereas people not in work or in lower skilled occupations,¹²⁹ and people from Scotland have a lower overall impression.¹³⁰

Audiences in Scotland rate the BBC lower for its performance in delivering public purpose 4 than do those in other nations.¹³¹ The BBC needs to continue to develop its ways of serving and reflecting Scotland and consider how it can do so through its new BBC Scotland television channel, which will launch in 2019.

In our representation and portrayal review, audiences told us that the BBC, and TV in general, is better at representing and portraying a wider mix of people than it used to be. While historically some groups were marginalised on TV, people feel the situation has improved and things are changing for the better.

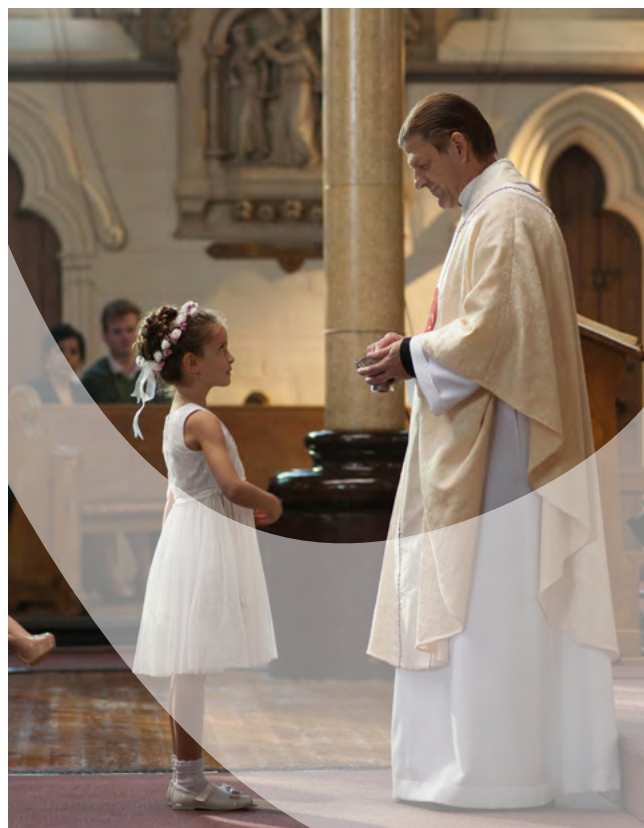
But some people still feel less visible on TV. For example, representation of older women is felt to be restricted to a subset of roles and genres, and some people feel BBC content reflects the lives of middle class people more than those from other backgrounds.

Others raised concerns about being presented in one-dimensional, inauthentic or stereotypical ways. Some disabled people said that the BBC, and TV in general, tends to focus on their difficulties and struggles. Portrayal of transgender experiences is felt to focus on the negative and the medical. Lesbian, gay and bisexual people said TV often gives a skewed impression of them and their experiences. Some people from Black African and Black African-Caribbean backgrounds often feel portrayed negatively and feel as though they are portrayed from a narrow perspective.

The BBC is seen to compare well to others in representing and portraying the nations and regions, and people in the nations cited several examples of positive representation and portrayal such as *Peaky Blinders* (Birmingham, England), *Line of Duty* (Northern Ireland), *Keeping Faith* (Wales) and *Shetland* (Scotland). However, there is a clear appetite for the BBC to do more. In particular, people want to see more representation of the UK outside of its major cities, and especially London.

The BBC could adopt a more nuanced approach to programme making, to reflect diversity within groups as well as between them. A richer understanding of this diversity helps broadcasters make programmes that feel more authentic to their audiences.

The review will act as a baseline for assessing the BBC's future performance. We will monitor this closely, alongside its compliance with relevant conditions in the Licence. If we find that the BBC is failing to meet its objectives, or if we decide progress is too slow, we will consider revising the Licence.



The BBC has increased its spend on network productions made outside London

Public service broadcasters are required to produce a proportion of their network content outside London. The BBC has shifted more of its spend and hours of network productions out of London since 2010, with 51% of spend qualifying in 2017.¹³²

We placed conditions in the Licence on the proportion of the BBC's spend on producing network content that must occur outside London: it must be at least half of total expenditure in each calendar year.¹³³ This is important for supporting the creative economy across the UK and may have the consequential benefit of improving audiences' perception of the BBC's performance in reflecting the places where they live. We are currently reviewing our guidance on regional TV production and programming, and plan to publish our consultation in the coming months.

Areas of work

In addition to setting the Licence and performance measures, during 2017/18 we shone a spotlight on diversity, and carried out our first in-depth review of how audiences feel the BBC reflects and portrays their lives. We also required the BBC to publish a code of practice – approved by us – that sets out clearly how it takes account of diversity when commissioning new content.

Review of representation and portrayal on BBC television

All audiences should feel that the BBC offers something for them, but past research has shown that several groups feel that it doesn't adequately represent their interests or lives.¹³⁴ We have undertaken a [review of on-screen representation and portrayal](#), to look in greater detail at how the nations, regions and diverse communities of the UK are represented and portrayed in BBC TV programmes.

We are publishing our findings alongside this report, as they have informed our assessment of the BBC's delivery of public purpose 4.

Commissioning Code of Practice

Content commissioning practices, from programme development to delivery, play a crucial role in ensuring that the diverse communities of the UK are accurately represented and authentically portrayed.

The Licence requires the BBC to establish and comply with a Commissioning Code of Practice, approved by Ofcom.¹³⁵ In March 2018, we approved the Code of Practice, which came into force on 1 April this year.¹³⁶ It sets out how the BBC will ensure that its commissioning processes, and the requirements it places on content producers, deliver agreed diversity objectives.

The BBC will report against the requirements of the Code in 2019. In the intervening period, we will continue discussions with the BBC on how the data and evidence base for measurement and compliance is evolving. We will also consider the effect of the Code of Practice in the context of information gathered for other related reports, such as our thematic review of representation and portrayal on the BBC.



Forward work programme for 2018/19

We have written to the BBC setting out our key areas of concern and will discuss with the BBC how it will address them. We will monitor these areas closely and take further action if sufficient progress is not made.

Separately, as explained above, Ofcom will review the BBC's provision of news and current affairs and how it delivers this important content, given the changing media landscape. This will inform our consideration of the BBC's delivery of public purpose 1 over the Charter period.

Ofcom will also be amending the Licence to reflect the launch of the new BBC Scotland Channel. On 26 June 2018 we approved the BBC's proposal to launch a new channel for audiences in Scotland. In August 2018 we published a consultation setting out our proposed changes to the Licence to account for the discontinuation of BBC Two Scotland opt-out programming and to ensure that the new channel appropriately contributes to the BBC's delivery of its mission and purposes. We will publish a statement in early 2019 setting out our final decision as well as an amended Licence.

Ofcom will be amending the Licence to reflect the launch of the new BBC Scotland Channel



5.

The BBC's impact on competition





The BBC's impact on competition

Introduction

As a large publicly-funded organisation which operates across the television, radio and online sectors in the UK, the BBC inevitably has an impact on competition in the media sector. This impact may be positive and stimulate demand or encourage sector-wide innovation. But in fulfilling its objectives, the BBC may also harm the ability of others to compete effectively.

The BBC needs to evolve to deliver its mission and public purposes, particularly in the light of sector developments. In doing so, it needs to consider the public value of these activities and seek to avoid unnecessary negative impacts on competition in the UK. It also needs to think about how it can promote positive impacts on the wider market.¹³⁷

The BBC Board and Ofcom have distinct roles regarding the BBC's impact on UK competition; the BBC Board's duties require it to undertake ongoing efforts to prevent its public service activities and commercial activities distorting competition, while Ofcom's role is to provide robust, fair and independent regulation.

As we explain below, the BBC should consider how to improve its transparency when assessing the impact on competition of its existing and planned activities. The BBC Board needs to drive this greater transparency, including by ensuring that the BBC engages effectively with UK broadcasters, so that it is fully informed about the BBC's impact when making decisions about its future evolution. The BBC also needs to improve the transparency of its governance arrangements.

How we regulate the BBC's impact on competition

Ofcom's role is to consider whether the public value of a **material change proposed by the BBC to its public service activities** justifies any adverse impacts on fair and effective competition. We can consider this under a BBC Competition Assessment (BCA) or a shorter assessment.

The BBC's **ongoing public service activities** also have the potential to impact on competition. If we have concerns they may be having a significant adverse impact on fair and effective competition, we can review them under a BBC Competition Review (BCR).

The way the BBC **distributes** its public service content, both in a linear world (e.g. broadcast on BBC One or Radio 2) and online (e.g. through the iPlayer and Sounds), also has the potential to affect fair and effective competition. We have provided guidance on how we ensure the BBC negotiates distribution arrangements on a fair, reasonable and non-discriminatory basis, while taking into account its obligations to fulfil its mission and promote the public purposes.

The BBC is required to ensure that its public service is operated separately from its **commercial subsidiaries** and that the subsidiaries do not gain an unfair competitive advantage or distort the market because of their relationship with the public service. Among other things, we have imposed requirements on the BBC that set out how the public service must price assets, or other inputs, that it provides to the commercial subsidiaries, as well as requirements that the commercial activities generate a commercial rate of return. We have set transparency, reporting and other requirements on the BBC to address associated competition concerns.¹³⁸

We have a role in enforcing **compliance** by the BBC with its requirements under the Charter and Agreement and have published procedures that we will normally follow when enforcing compliance by the BBC of its competition requirements.

Transparency and engagement with third parties

As a recipient of the licence fee, and as a significant player across television, radio and online in the UK, it is important that the BBC maintains a high standard of transparency and openness.

The Charter and Agreement envisage that the BBC operates transparently in how it reports on its activities in the UK on an annual basis to the industry and to Ofcom. The Operating Framework established by Ofcom also includes provisions to ensure that the BBC operates openly by engaging with third parties and reporting publicly on its duties. In relation to the BBC's commercial activities, we have placed transparency requirements on the BBC, such as financial reporting requirements.

The BBC does not routinely set out its plans for its public service activities in sufficient detail for third parties

Over the past year, the BBC has been more transparent in some cases than others. For example, in its [Annual Plan 2017-18](#), it set out its proposals for changes to services in Northern Ireland, Scotland and Wales in enough detail to enable third parties to consider the impact of the proposals and to engage with the BBC.

In contrast, the BBC provided little detail in its [Annual Plan 2018-19](#) for proposed changes to iPlayer, iPlayer Radio and Bitesize. For example, it stated that it proposed to make changes to the iPlayer but did not provide any information on what the changes would involve.

Therefore, while the BBC has worked towards transparency in some key areas, it needs to go further. It should do more to embed transparency into its working practices, particularly when it is proposing new services or changes to existing services.

There are benefits to the BBC engaging openly with third parties about its plans

While its proposals may change as the BBC develops its plans, there are significant benefits to it engaging openly with market players when considering new public services or changes to existing ones:

- it allows the BBC to understand more clearly the potential impact it might have on competition, which in turn can help the BBC to make informed decisions about its strategy to deliver its mission and public purposes;
- where relevant, it would allow the BBC to adapt its proposals to take account of possible impacts on competition;
- it has the potential to reduce the level of regulatory intervention by Ofcom; and
- it may help the BBC to build relationships with third parties and demonstrate that it is fulfilling its duties regarding competition.

In a fast-changing sector, transparency will be important as the BBC considers how it will continue to deliver for audiences. Engaging with third parties should enable it to innovate and evolve within a competitive landscape, enabling co-operation and partnerships across the creative industries while considering how its activities may affect competition in the UK.

Governance arrangements

The BBC Board plays an important role in assessing how the BBC's activities may affect fair and effective competition. For example, it is responsible for considering whether proposed changes to public service activities are material¹³⁹ and whether they should be subject to a public interest test (PIT).¹⁴⁰

The BBC Board must also consider proposals for material changes to the BBC's commercial activities and assess them against the commercial criteria. The Fair Trading Committee – a BBC Board sub-committee – is responsible for overseeing the BBC's compliance with its regulatory obligations for trading and separation between the public service and the commercial subsidiaries.

Above, we explain how the BBC needs to improve its transparency in relation to competition, and the benefits to be had from engaging openly with third parties. The BBC Board has a particular role to play in this area. It can drive greater transparency, including by ensuring that the BBC engages effectively with UK broadcasters, so that it is fully informed about the BBC's impact when it is making decisions about its future evolution.

We are considering the governance structures and processes that apply to the separation between the Public Service and commercial activities

The BBC Board is responsible for putting in place governance structures that ensure it can deliver its duties and which comply with our requirements concerning separation between the Public Service and commercial activities.

In addition to governance structures, the BBC will implement its own procedures and processes to monitor its compliance with its regulatory obligations, including how issues are escalated and assessed, and by which governance bodies.

We are considering the BBC's governance structures and processes to ensure that there is appropriate separation between the public service and the commercial activities. We are also working with the BBC Board and the Fair Trading Committee to consider how the BBC ensures compliance in this area.



We have some concerns about the governance arrangements for the BBC's commercial activities

We have raised some concerns with the BBC regarding its governance arrangements for the commercial activities, particularly in respect to the composition of the Commercial Holdings Board.¹⁴¹ We are discussing these concerns with the BBC and will consider whether further steps should be taken to ensure that the commercial activities are run in a way that is sufficiently distinct and separate from the public service.

In addition, we have highlighted a lack of transparency in the governance arrangements for the BBC's commercial subsidiaries, including how it manages potential conflicts that may arise in those situations where BBC Directors operate across both the public service and the commercial activities. We are pleased to note the BBC has indicated its intention to enhance its transparency in these areas.



Areas of work

BBC commercial and trading activities

Under the Charter and Agreement, the BBC Public Service can carry out specific types of trading activity which are ancillary to its core public service activities and are commercial in nature. It can also, through separate subsidiaries, engage in commercial activities which fit with the mission and public purposes and are undertaken to generate a profit. We are required to set out how we will regulate these trading activities and the procedures to be followed. In July 2017, we published revised guidance and requirements, to include additional requirements on how the BBC conducts its trading activities.

In November 2017, the BBC announced a proposed change to its commercial activities: merging two of its commercial subsidiaries, BBC Studios and BBC Worldwide, into a single entity, also to be named BBC Studios. This would bring together the production business (BBC Studios) with the business that distributes and commercially exploits BBC intellectual property in the UK and around the world (BBC Worldwide).

In March 2018, we accepted commitments from the BBC in respect of the proposed merger.¹⁴² They are intended to preserve transparency and to demonstrate that the BBC has the necessary procedures in place to ensure the merger will not distort the market or result in BBC Studios gaining an unfair competitive advantage due to its relationship with the licence fee-funded BBC public service. The BBC Board will oversee the BBC's compliance with the commitments.

In the light of our trading and separation requirements, and the BBC's voluntary commitments, we considered that it would not be appropriate to conduct a formal assessment of this change. At the same time, we announced that we would undertake a review of BBC Studios and how it meets the trading and separation requirements, including consideration of the commitments.

BBC Studios: commitments

The BBC has committed that:

- In relation to the BBC commissioning process, it will continue to treat all producers and distributors equally, irrespective of their relationship to the BBC. It will ensure that there is fair competition between new BBC Studios and third-party producers. The BBC will also maintain the existing processes for commissioning.
- There will continue to be no cross-subsidy between the BBC public service and the BBC's commercial arm. The BBC will set commercial rates of return (informed by market norms) for all lines of business within the new BBC Studios.
- The BBC will report financial performance on production activities separately from distribution activities. There will be no lessening of transparency in financial reporting by the BBC's commercial subsidiaries as a result of this change.
- The BBC will maintain its conflict-of-interest procedures to ensure that any potential conflicts of interest are identified, recorded and mitigated where necessary.
- The BBC Board and Fair Trading Committee will monitor operational separation, and the external annual fair trading audit will consider the effectiveness of the BBC's controls, including operational separation between the UK public service and new BBC Studios.

Proposed changes to the BBC's public service activities

Under the Charter and Agreement, the BBC Board has responsibility, in the first instance, for considering the impact of proposed changes to the BBC's public service activities. In particular, it must consider whether proposed changes are material and must be subject to a PIT.

A PIT considers whether a proposed material change would generate sufficient public value to justify any adverse impact on competition. If a PIT is satisfied, the BBC must publish the proposal and refer it to Ofcom for assessment under our procedures.

Where the BBC determines that a change is not material, it is able to proceed. However, we have the power to call in service changes that we regard as material, and to direct the BBC to freeze the activity and/or undertake a PIT.

In this context it is important for Ofcom to be kept informed of all proposed changes to the UK public services that could have an impact on competition. This includes changes where the potential implications for competition arise cumulatively with other existing or potential future changes.

During 2017/18, the BBC considered the materiality of a number of proposed changes to its public services and concluded that they were not material. These included increased investment in children's online content, increased investment in Wales, and new investment in BBC Northern Ireland to develop local content, details of which were published in the BBC's [2017/18 Annual Plan](#). We engaged with the BBC to understand whether any of these proposed changes would require regulatory intervention.

Where the **BBC determines** that a **change** is **not material**, it **is able** to **proceed**

BBC Scotland channel

The proposed launch of the BBC Scotland channel, as a new public service, was a material change. The BBC therefore conducted a PIT, during which time it consulted with stakeholders. In November 2017, the PIT was approved by the BBC Board and submitted to Ofcom for consideration. We began a BCA to consider whether the value that the public would derive from the channel would justify any adverse impact on fair and effective competition. In June 2018, following consultation, we published our determination.¹⁴³

We concluded that any adverse impact on fair and effective competition would be justified by the public value delivered by the proposal and that the BBC could proceed with it. However, we emphasised the importance of the BBC implementing the proposal as it was set out, and highlighted the role of the BBC Board, both in monitoring that and in considering any further expansion by the BBC. The BBC is planning to launch the channel in February 2019.¹⁴⁴

We were satisfied that in conducting its PIT, the BBC had provided stakeholders with a reasonable opportunity to comment meaningfully on its proposals. Furthermore, the BBC altered some of the channel's initial specifications, following consultation with stakeholders. However, we also noted in our determination the need for the BBC to develop its processes to become more transparent in future PITs. On this occasion, for example, the BBC did not publish full details of its analysis, which made it harder for stakeholders to engage constructively with the BBC and Ofcom.

Forward work programme for 2018/19

Since the end of 2017/18, we have launched two new consultations which support our work in regulating the BBC's impact on competition. The first is on the BBC's commissioning of content,¹⁴⁵ and the second is on proposed revisions to our requirements that provide us and stakeholders with more detail on the BBC's commercial activities.¹⁴⁶ This work will continue in 2018/19 and will help us to deliver our regulatory remit.

We also announced, in March 2018, our intention to review BBC Studios.¹⁴⁷ We are gathering information in relation to BBC Studios and expect to issue a call for inputs towards the end of 2018/19, which will inform the scope of our work in this area for 2019/20.

In its Annual Plan for 2018-19, the BBC indicated areas where it is considering proposed changes to its public services: BBC iPlayer, BBC Sounds and BBC Bitesize. We are continuing to engage with the BBC on the materiality of its proposed changes.

To inform our BBC competition work programme, we will continue to have regular engagement with stakeholders, including industry, consumer groups and academics.

6



The BBC's content standards





The BBC's content standards

Introduction

UK audiences have high expectations for the content standards of the BBC, and so does Ofcom. These standards are set out in our Broadcasting Code (see box to the right). For many viewers and listeners, the provision of news and current affairs is central to the BBC's role and they expect these programmes to be balanced and trustworthy.

We have responsibility for regulating all areas of the BBC's content standards, including the due accuracy of news and the due impartiality of news and current affairs.¹⁴⁸ In the vast majority of cases considered by Ofcom, the BBC is meeting the required editorial standards in its programmes, although we have recorded one breach where the BBC was found to have provided news without due accuracy. In the first year of the new Charter, we found that the BBC met the due impartiality requirements in the Broadcasting Code. We will continue to keep a close watch in this area.

How we secure the BBC's content standards¹⁴⁹

Under the 2016 Charter and Agreement, Ofcom holds the BBC to account against the rules of the Broadcasting Code ("the Code") to ensure that adequate protection is provided to BBC audiences from potentially harmful and offensive material. Code rules cover areas including the protection of under-18s; harm and offence; crime; religion; impartiality and accuracy; and commercial references. Fairness and privacy rules ensure that people are protected from unjust or unfair treatment in programmes, and that their privacy is not unwarrantably infringed in programmes.

The Code rules apply in full to all BBC television and radio services, and where relevant to the BBC iPlayer.¹⁵⁰

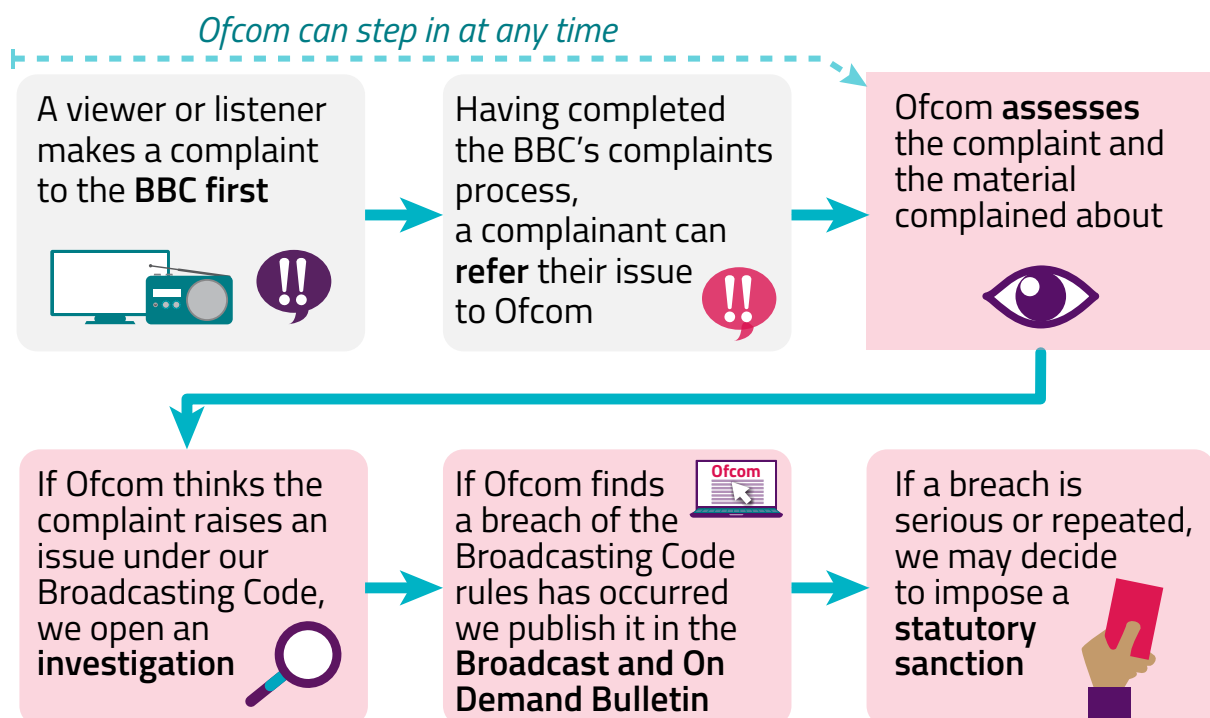
Ofcom ensures compliance with the Code primarily through the consideration of complaints. We also check for, and where appropriate investigate, potential breaches of the rules through programmes of targeted monitoring. These activities are consistent with the action we take to regulate all Ofcom-licensed broadcasters.¹⁵¹

Complaints about BBC programmes

'BBC First' allows the BBC to handle complaints before they come to Ofcom

It is important that BBC viewers and listeners have access to a fair and transparent complaints process. Due to the high volumes of complaints received by the BBC, 'BBC First' allows complaints to be dealt with effectively and efficiently by the BBC in the first instance;¹⁵² following this, a complainant can refer the matter to Ofcom if they are dissatisfied with the BBC's final decision.¹⁵³ But Ofcom also has the power to step in and intervene at an earlier stage in exceptional circumstances, or to launch an investigation in the absence of a complaint if we think it is appropriate to do so.¹⁵⁴

The flowchart below outlines the journey of a BBC complaint under the BBC First approach.



In the vast majority of cases, the BBC is resolving the editorial complaints it receives effectively and efficiently, and it is meeting the required content standards.

We can see this from the BBC's own complaints statistics. In 2017/18 the BBC received **223,500 complaints** to Audience Services (known as Stage 1); 405 editorial complaints were progressed to the Executive Complaints Unit (known as Stage 2);^{155 156} and of these, **139 complainants** chose to refer their issue to Ofcom (see below). These figures suggest that the BBC First system is working effectively, and the BBC is resolving most complaints.

It is important that Ofcom has oversight mechanisms in place. We review monthly reports from the BBC which allow us to assess whether all complaints received at Stage 2 are considered and resolved in a timely manner. There have been some isolated occasions where they have not, or where complaints-handling issues have been raised. While Ofcom does not intervene in individual issues of complaints handling, we will continue to pay close attention to these cases as part of our oversight duties. We are mindful, however, that they represent only a small proportion of the volume of contacts the BBC receives each year.

Of the 139 complaints made to Ofcom in 2017/18, one resulted in a breach of the Broadcasting Code

Between 22 March 2017 and 31 March 2018, we received 1,673 content standards complaints about the BBC.^{157 158} The outcomes of all complaints about the BBC (and other broadcasters) are published fortnightly in our [Broadcast and On Demand Bulletin](#).

- 1,490 complaints were about BBC programmes where, on initial assessment, we found that the complainant had not completed the BBC's complaints process before submitting their complaint to Ofcom. In these instances, we redirected the complainant to the BBC.
- 139 complaints had completed the BBC's complaints process, but the complainant was not satisfied with the outcome. In all but three of these complaints, we did not consider that the complaint raised a substantive issue under the Code which warranted further investigation.¹⁵⁹

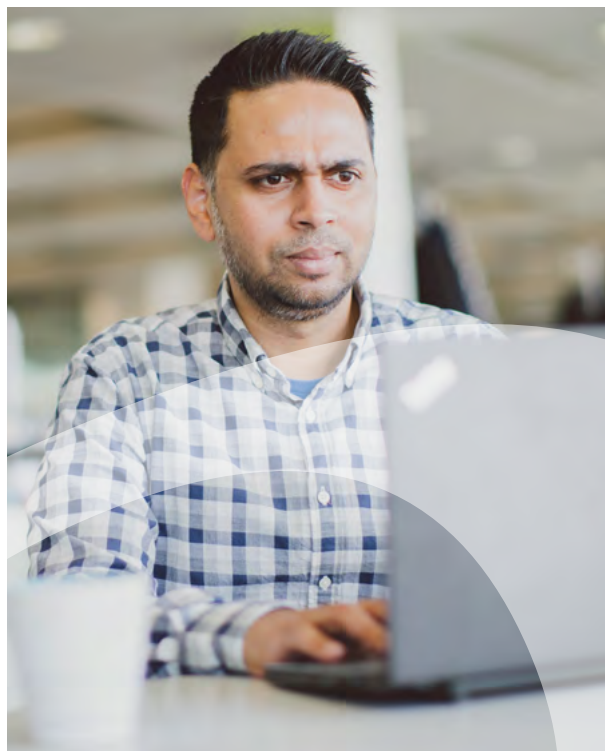
In April 2018 we recorded a significant breach of the Broadcasting Code.¹⁶⁰ In this case (detailed below), the BBC was found to have provided news without due accuracy. It is important that in delivering news and factual programming the BBC ensures that contentious claims are sufficiently challenged.

Today, BBC Radio 4, 10 August 17, 06:00

This programme included a series of discussions about climate change, one featuring an interview with Lord Lawson, former Chancellor of the Exchequer and head of the Global Warming Policy Foundation. In October 2017 the BBC Executive Complaints Unit ("ECU") had partially upheld complaints about this interview, and two complainants subsequently referred their complaints to Ofcom. Ofcom concluded that two statements made by Lord Lawson on the science of the subject of climate change were not correct and were not sufficiently challenged during the interview or subsequently during the programme.

Ofcom was aware that a previous complaint had been upheld by the BBC ECU about a similar appearance by Lord Lawson on the Today programme on 13 February 2014. We were concerned that the 2014 and 2017 cases involved the same contributor, discussing the same topic in the same programme. Both programmes had included introductions to Lord Lawson which lacked clarity about the minority position of his views on the science of climate change. In the 2017 case, the BBC took steps to tightly focus the discussion on the economics of climate change. However, the editorial team could have reasonably anticipated there was a risk that Lord Lawson might raise scientific arguments. In our view, the presenter should have been prepared to provide challenge and context to Lord Lawson's views as appropriate. We therefore recorded a breach of Rule 5.1 of the Code (due accuracy in news).

The BBC had examined some of the more contentious claims and inaccurate comments in an item on the programme the following day, and also on other platforms, such as the BBC News website. We therefore found the BBC not in breach of Rule 5.2 of the Code (significant mistakes in news should normally be acknowledged and corrected on air quickly). [The full finding can be found here.](#)



Ofcom also considers fairness and privacy complaints

Ofcom has a duty to adjudicate on complaints made by individuals or organisations participating in, or otherwise directly affected by, programmes as broadcast, or in the making of programmes.¹⁶¹ These are known as Fairness and Privacy complaints.

Between 3 April 2017 and 31 March 2018, we dealt with **38 complaints** about alleged unjust or unfair treatment, or unwarranted infringements of privacy, in BBC programmes, of which:

- **Six complaints** were referred for investigation to decide whether a breach of the Code had occurred. If a breach has occurred, we uphold the complaint. Of the complaints adjudicated upon in this period, one was upheld.¹⁶²



Online material complaints

Ofcom has a new responsibility to consider and give an independent opinion on whether the BBC has observed the relevant BBC Editorial Guidelines on the content on the BBC website and apps. This includes written text, images, video and sound content. It does not extend to social media content. Ofcom and the BBC have entered into an 'Arrangement' for how this responsibility is carried out.¹⁶³

Between 27 April 2017 and 31 March 2018, we received **346 complaints about the BBC's online material**,¹⁶⁴ of which:

- We closed **195 complaints** because, after assessment, we did not consider that there were grounds for further consideration by Ofcom, or the need to give an Opinion (see below for information on the one complaint on which we gave an Opinion).
- We redirected a further **89 complaints** to the BBC under the BBC First approach.
- **61 complaints** were outside Ofcom's remit for BBC online material, with many of the complaints relating to social media.

We gave our first Opinion on a BBC online material complaint:

Complaint by Carter-Ruck (a UK law firm) on behalf of Baroness Scotland¹⁶⁵

BBC News website: Concerns raised over Commonwealth leadership, 26 January 2017

Ofcom gave its Opinion on whether the BBC observed its own Editorial Guidelines on the content of an online article. The complainant complained about the above online article and made a fairness complaint about a radio programme. Both the online article and the radio programme discussed concerns allegedly held by some senior government officials about Baroness Scotland's leadership of the Commonwealth Secretariat in her role as Commonwealth Secretary-General. Carter-Ruck said that both the online article and the radio programme included numerous "falsehoods, inaccuracies and misleading allegations" that went "to the heart" of Baroness Scotland's professional reputation and "the integrity" of the Commonwealth Secretariat. It also said that Baroness Scotland was not given a fair opportunity to reply to the allegations levelled against her.

Taking the online article as a whole, Ofcom's Opinion was that the BBC had observed the relevant provisions of Section Six of the BBC's Editorial Guidelines. Ofcom did not make any recommendation to the BBC in relation to the online article.

Securing the due impartiality of BBC programmes

Ensuring that BBC news is duly impartial and duly accurate, and that BBC current affairs programming is duly impartial and not materially misleading, are some of Ofcom's most important regulatory duties in relation to the BBC. Our assessment of complaints on these topics forms a large part of this work. In line with our approach for all broadcasters, we check for breaches of broadcasting standards through ongoing targeted monitoring. We have not found the BBC to be in breach of the due impartiality requirements of the Broadcasting Code.

The most common type of complaint that Ofcom received about BBC content during 2017/18 was about the alleged bias of BBC programmes.¹⁶⁶ Of the total 1,673 complaints outlined above, 586 related to impartiality, followed by complaints about impartiality specifically during elections/referendums (306 complaints).¹⁶⁷

Ofcom takes a holistic view of impartiality to assess whether the BBC is getting it right. Under the previous Charter, the BBC Trust was responsible for BBC regulation. It carried out an annual review programme, commissioning independent authors or panels to report on specific areas of the impartiality and accuracy of BBC programming.

As the regulator of the whole UK broadcasting sector, Ofcom can take a different approach. We regulate an extensive range of television and radio services and therefore have a comprehensive view across these sectors. We can assess the different tools and techniques used by the broadcasters we regulate, including the BBC, to achieve due impartiality and step in where we think they are not doing enough. Our ongoing programme of research also gives us insight into audience expectations and helps us view impartiality in the evolving context of how people access news.

We outlined some of the changes in the UK news landscape in Section 2. Against this backdrop of changing news availability and use, the BBC's provision of impartial news and current affairs is critical. As set out in Section 4, given its growing importance, we will review of the BBC's provision of news and current affairs output and how it can continue to be a trusted destination for audiences.





Transparency of BBC First

To ensure that the BBC First process is effective, and to build and maintain confidence that complaints are dealt with promptly and fairly, it is important that Ofcom, licence fee payers and other stakeholders all have access to information on the complaints handled by the BBC, as well as on its ongoing performance against its published procedures.

We have secured increased visibility of editorial complaints to the BBC; this will improve its accountability to its audiences and stakeholders. Last year we set a series of requirements for the BBC to publish fortnightly information on the editorial complaints it receives.¹⁶⁸ At the time the BBC raised several concerns about our approach, but it has complied with the determinations. In summary, we now require the BBC to publish:

- the total number of programme complaints, with additional information about the programmes which received a high volume (over 100);
- information on editorial complaints which are progressed to the BBC's Executive Complaints Unit and the outcome of these complaints; and
- the percentage of complaints that received a response within the relevant time period.

These are positive steps towards the BBC embedding transparency into its working practices. In November this year we will review the effectiveness of these requirements (following a full year in operation) and consider whether further transparency is needed in this area.

Making a complaint about a BBC programme should be a straightforward process, and what happens to a complaint should be clear to everyone who makes one. In a significant minority of cases we know that complainants have not understood the complaints process or have incorrectly brought their complaint directly to Ofcom before contacting the BBC (see above). The BBC must ensure that its processes are clearly explained and widely available, and we will continue to work closely with the BBC at an operational level to ensure that there is clarity for audiences on this.

Forward work programme for 2018/19

Ofcom will continue to ensure that the BBC is meeting the standards of the Broadcasting Code across all its services. Our review of the BBC's provision of news and current affairs will sit alongside our ongoing duty to consider accuracy and impartiality under the Charter and Agreement. We have taken steps to improve the transparency of editorial complaints considered by the BBC, and we will continue to work with the BBC to ensure appropriate levels of transparency and accountability for audiences and stakeholders.

Endnotes

1. Ofcom is required to publish an annual report that sets out how we have carried out our regulatory functions and assesses the BBC's compliance with the regulatory requirements imposed on it. We must also publish a report on the BBC's performance against our performance measures, and this is attached as [Annex 2](#) to the Annual Report.
2. The [Charter](#) sets the BBC broad objectives it must fulfil in the form of a mission and five public purposes. It is accompanied by an [Agreement](#) between the Secretary of State and the BBC which contains further obligations.
3. Where sources for data points are referenced later in the report, we have not repeated them in this section.
4. comScore MMX Multi-Platform, UK, [M] YouTube.com, January – March 2018, Desktop age 6+, Mobile age 18+. MMX Multi-Platform includes desktop browsing, desktop video streams, smartphone browsing and apps, tablet browsing and apps.
5. Under the UK regulatory regime, a public service broadcaster is one of: the BBC, BBC Alba JV, Channel 3 (ITV, STV, UTV) Channel 4, Channel 5, SVC and S4C.
6. RAJAR, Q1 2018. Audiences for some popular radio shows have declined in recent years.
7. comScore MMX Multi-Platform, UK, [P] BBC Sites, monthly average January – March 2018, desktop age: 6+; mobile age: 18+
8. BBC TV was rated more highly than some of the UK commercially-funded public service broadcasters (including ITV and Channel 5), whereas services that users choose to pay for (Sky and the online video providers) provided higher levels of satisfaction. Ofcom, BBC Performance Tracker October 2017 – April 2018.
9. A majority of the UK public rate the BBC highly (giving it a rating of 7-10 out of 10) for delivery of each of the four public purposes: 61% rate the BBC highly for providing purpose 1, 65% for purpose 2, 63% for purpose 4 and 59% for purpose 4. Ofcom BBC Performance Tracker October 2017 – April 2018.
10. Its performance is underpinned by Licence conditions. The Licence came into force on 1 January 2018, although some conditions did not apply until April 2018. We will assess its compliance with the full set of Licence conditions in next year's report.
11. In particular, it broadcast just under 23,000 hours of TV network news and current affairs programming in 2017, plus a further 5,577 hours of content for the nations and regions.
12. Ofcom, [News consumption in the UK: 2018 report](#).
13. Including formal regulatory intervention, if necessary.
14. The steps taken help improve the transparency of the BBC's service delivery. Ofcom's remit does not extend to the operational management of the BBC, including issues such as differences in pay by gender.
15. Separately, the BBC is carrying out two transparency reviews. The first is a BBC Public Service Transparency Review, looking at issues around disclosure and transparency on pay and reward, an area that lies outside Ofcom's remit. The second is the [BBC Commercial Transparency Review](#), looking at transparency issues in relation to commercial subsidiaries, including pay and reward.
16. BBC, 2018, [BBC Annual Plan 2018/19](#), page 6.
17. The BBC has a duty to consider the effects its public service activities have on competition in the UK.
18. First-run UK originations are programmes that are commissioned by or for a UK television service and have not previously been shown on television in the United Kingdom.
19. Taking risks and producing innovative content with creative ambition contribute to the BBC's distinctiveness. However, our audience research has shown that, of the five areas of distinctiveness we asked about, BBC TV viewers are least likely to agree that the BBC takes risks and provides programmes and content that are new and innovative.
20. In this report, we refer to young people as people between 16–34 years old, unless otherwise stated.
21. Young people are much less likely than average to watch BBC TV or listen to BBC radio.
22. Individuals as a whole watch around one and a half times more BBC One than they do ITV.
23. We estimate that on average 16–34 year-olds spend 1 hour 19 minutes per day with the BBC compared to 2 hours 44 minutes for individuals overall.
24. BBC Three is an online service for younger audiences, but only 8% of young people watch BBC Three each week.
25. Public purpose 4, which the BBC must promote, is to reflect, represent and serve the diverse communities of all the UK's nations and regions, and in doing so, support the creative economy across the UK.

26. Ofcom, [Operating Licence for the BBC's UK Public Services](#), October 2017.
27. These conditions recognise that what ends up on our screens is influenced by decisions made off-screen by the people who commission and produce TV programmes.
28. These conditions came into force on 1 January 2018 and require the BBC to report annually. As such, it will first report this information when a full year has passed.
29. [Representation and Portrayal on BBC Television: thematic review](#), October 2018
30. BBC, April 2016, [Diversity and Inclusion Strategy 2016-20](#).
31. [Representation and Portrayal on BBC Television: thematic review](#), October 2018
32. Ofcom, [News consumption in the UK: 2018 report](#).
33. The [Charter](#) sets out under purpose 1 that the BBC is expected, amongst other things, to "offer a range and depth of analysis and content not widely available from other United Kingdom news providers, ..."
34. Further details on market trends can be found in [Ofcom's Media Nations: UK report](#).
35. 75% of viewers say they are very or quite satisfied with PSBs. Ofcom PSB Tracker 2017. For details on the methodology and questionnaire, please refer to the [PSB Tracker Technical Report](#).
36. BARB, individuals (4+), 2017.
37. BARB, individuals (4+), 2017.
38. Ofcom PSB Tracker 2017.
39. [BBC Full Financial Statements 2010/11](#) and [BBC Annual Report and Accounts 2017/18](#). Difference in licence fee income reported in each document is presented in real terms (adjusted by CPI).
40. Includes Channel 3 (ITV, STV, UTV), Channel 4 and Channel 5. TV advertising income overall declined by 7.5% in real terms in 2017. Ofcom, 2018, [Media Nations: UK](#), page 34.
41. More generally, the need to compete with such players, who have global reach, has led to consolidation in the market, principally through mergers and acquisitions. For example, AT&T bought Time Warner, and in September 2018 Comcast won an auction to purchase Sky. Comcast already owns NBCUniversal and Channel 5 is part of a global media group (Viacom).
42. Ampere Analysis. Total content spend estimates for Netflix and Amazon Prime Video in 2018 are £6.3bn and £4.9bn respectively. Note: Ampere content spend figures are based on a P&L basis rather than a cash basis. [The Economist](#) has estimated that Netflix's cash spend in 2018 could be closer to £12-13bn.
43. Ofcom PSB broadcaster returns 2017.
44. More than a third of Netflix (38%) subscribers cite 'to watch original series made by the provider' as a reason for signing up (up from 30% in Q1 2017). Source: GfK SVoD Tracker, Q1 2018.
45. BARB Establishment Survey Q1 2018
46. Ofcom Technology Tracker 2018
47. The decline in broadcast TV viewing on the TV set has continued into 2018, with overall viewing for all individuals down by 4.9% in H1 2018 since the same period in 2017 to an average of 3 hours 16 minutes per person per day. The decline applies to all age groups. Source: BARB, individuals (4+), H1 of each year.
48. BARB, individuals (4+), 2017
49. The methodology used to construct a total estimated view of video watched can be found in Ofcom's [Media Nations: UK 2018 methodology annex](#).
50. TV is used by 79%, internet 64%, radio 44% and newspapers 40% of UK adults. [Ofcom News Consumption in the UK: 2018 report](#)
51. [Ofcom News Consumption in the UK: 2018 report](#)
52. [Ofcom News Consumption in the UK: 2018 report](#)
53. Ofcom, 2018, [Navigating news in an online world](#).
54. The evolving cultures of the UK's nations and regions present opportunities for the PSBs, compared to global providers, to serve the UK's diverse audiences by producing content that tells UK stories, across its communities.
55. This includes co-production arrangements, deficit funding from production companies and tax credits.
56. It has grown from £147m in 2008 to £338m in 2017. These figures do not include ITV third-party spend; actual third-party spend across the PSBs may be considerably higher if ITV generates a similar amount to the BBC. Source: Ofcom/broadcasters.
57. RAJAR, Q1 2018. This has been driven by a number of factors including growing take-up of DAB radios and internet-connected devices, an increase in the number of national commercial stations available and the expansion of DAB coverage.
58. TouchPoints 2018
59. TouchPoints 2018

60. RAJAR, Q1 of each year.
61. RAJAR, Q1 2018
62. TouchPoints 2018
63. RAJAR, Q1 of each year.
64. The BBC needs to provide news that helps people understand the world around them; support learning for all ages; provide distinctive output and services, including content the market would otherwise not provide; and to represent and serve the diverse communities of all the UK's nations and regions; while still delivering popular content that entertains us all. This remit has been set by Parliament.
65. Across all platforms, 92% of adults consume BBC content each week. Source: TouchPoints 2018, Great Britain only. Time spent data modelled from BARB, BARB TV player reports, RAJAR, comScore, GfK SVoD data and TouchPoints.
66. Ofcom BBC Performance Tracker October 2017 – April 2018
67. We have made a careful overall assessment of the BBC's performance, taking account of the BBC's own report of its performance, including of the additional commitments it made in its Annual Plan, as well as all the sources of evidence described in this document and [Annex 2](#). This does not preclude us looking further at any particular matter.
68. Ofcom, Introduction to [Ofcom's Operating Framework for the BBC](#), Updated 16 October 2017.
69. We discuss the requirement to establish a Commissioning Code of Practice later on in this section.
70. Conditions 2.39.2 and 2.40.2 in the Licence. See Ofcom, 2018, [Statement: Definition of New Music on Radio 1 and Radio 2](#). The original definition rested on the physical release date of tracks. As physical sales have increasingly given way to downloads and streaming, the significance of singles and release dates has fallen.
71. For this Annual Report only, we are not able to report on conditions set on an annual basis, either by calendar year (which came into force on 1 January 2018, but a full year has not yet passed on which to assess them) or by financial year (which came into force on 1 April 2018).
72. The evidence we have gathered, much of it from the BBC, is described in more detail in [Annex 1](#). Our overall assessment is based on that evidence; where we have additional relevant comments on the BBC's compliance, we have set these out in [Annex 1](#). Our assessment does not preclude us from looking further at any particular matter. For example, if we receive a complaint and/or if other evidence is relevant.
73. The BBC's delivery of its fifth public purpose, reflecting the UK to the world, will be achieved primarily through the BBC World Service. The BBC is responsible for setting a licence for the BBC World Service (clause 34 of the [Agreement](#)).
74. Ofcom, 2018, [Navigating news in an online world](#).
75. In the last year, the BBC has also appointed a new Director of News and made other new senior appointments to the BBC News team.
76. We note that, in July 2018, Cliff Richard won a privacy case against the BBC over its coverage of a police raid in 2014. Cliff Richard pursued this matter before the Courts, which determined the matter, rather than making a complaint to Ofcom.
77. In particular, it broadcast just under 23,000 hours of TV network news and current affairs programming in 2017, plus a further 5,660 hours of content for the nations and regions. Ofcom analysis of BBC data
78. Ofcom, [News Consumption in the UK: 2018 report](#).
79. Ofcom, [News Consumption in the UK: 2018 report](#).
80. For 16–34 year-olds, the BBC was the most popular news source followed on all social media sites asked about, except Snapchat. Ofcom, [News Consumption in the UK: 2018 report](#).
81. Ofcom, [News Consumption in the UK: 2018 report](#).
82. Ofcom, [News Consumption in the UK: 2018 report](#).
83. Ofcom, [News Consumption in the UK: 2018 report](#).
84. Ofcom, [News Consumption in the UK: 2018 report](#).
85. Eighty-three per cent rate it highly for providing a good depth of analysis in its current affairs.
86. Panel-style shows, such as Question Time, Sunday Politics and This Week, went up from 16% of BBC TV's first-run UK-originated current affairs output in 2012 to 21% in 2017. Ofcom analysis of BBC data.
87. The number of new hours broadcast of This World fell from 12 in 2012 to five in 2017. Ofcom analysis of BBC data.
88. We discuss the BBC's content standards further in Section 6.
89. Ofcom, [News Consumption in the UK: 2018 report](#). And according to previous trends from this study, between 2013 and 2016 viewers of BBC TV and of Sky News became somewhat less likely to say each service was impartial and unbiased.

90. Ofcom, [News Consumption in the UK: 2018 report](#).
91. 68% of adults. Ofcom BBC Performance Tracker October 2017 – April 2018
92. BARB, individuals (4+) 2010–2017, based on science and history documentaries, religion, classical music, visual & performing arts and education.
93. BARB, individuals (4+), 2010–2017.
94. BARB, individuals (4+), 2017.
95. [BBC Annual Report and Accounts 2017/18](#), page 2.
96. These were history, nature and wildlife as well as science, medical and technology programming. Ofcom analysis of BBC data, see [Annex 2](#).
97. BARB, individuals (4+), 2010–2017.
98. Ofcom analysis of BBC data.
99. BARB, individuals (4+), 2010–2017.
100. Ofcom, 2018, [Children's content review: update](#), page 11.
101. [BBC Annual Report and Accounts 2017/18](#), page 26.
102. Ofcom Children's Media Literacy Tracker 2018
103. Internal server data supplied by BBC. Average weekly unique browsers in Q1 2017 and 2018. Based on Bitesize Virtual Site kl-bitesize which includes New Bitesize (previously:co.uk/education now .com/bitesize), Old Bitesize (.co.uk/bitesize; .co.uk/schools).
104. [BBC Annual Plan 2018/19](#), March 2018, pages 10–11.
105. Analysis using data from RadioMonitor covering three sample weeks of 8–14 July 2017, 14–20 October 2017, and 3–9 February 2018. See [Annex 2](#) for further detail.
106. 63% of adults rate the BBC highly for providing distinctive content. Ofcom, BBC Performance Tracker October 2017 – April 2018.
107. For example, our [representation and portrayal review](#) found that people like to watch programmes set in, or reflecting, where they live.
108. In 2017, 88% of the BBC's output was UK-originated output. Ofcom, [PSB Annual Compliance Report 2018](#).
109. Ofcom, BBC Performance Tracker October 2017 – April 2018.
110. Ofcom/BBC. First-run UK originations represented the vast majority (95%) of the BBC's total TV content spend in 2017 (up from 93% in 2010). The remaining 5% was on repeats and acquisitions.
111. Ofcom analysis of BBC data
112. *Collateral* was a co-production between the BBC and Netflix and *Good Omens* is an upcoming co-production between the BBC and Amazon, which will [launch in 2019](#).
113. The Public Accounts Committee has highlighted the risk of divergence between the BBC's and its partners' interests and the need to make contingency plans for when these relationships end. [Public Accounts Committee Report: BBC commercial activity](#)
114. Of the five areas of distinctiveness we asked audiences about, BBC TV viewers were least likely to agree that the BBC takes risks and provides programmes and content that are new and innovative. Ofcom BBC Performance Tracker October 2017 – April 2018.
115. We recognise nonetheless that the BBC needs to strike a balance between showing popular long-running series and new programmes.
116. In 2017, 77% of all individuals watched BBC TV each week, compared to 61% of 16–34s, source: BARB. Some 64% of UK adults listened to BBC radio each week, compared to 53% of 15–34s, source: RAJAR.
117. When asked about their overall impression of the BBC, 65% of 16–34 year-olds rate it highly, in line with other age groups. 16–24 year-olds are more likely to rate it highly, at 70%. Source: Ofcom BBC Performance Tracker October 2017 – April 2018.
118. BARB, individuals (4+), 2017
119. RAJAR, Q1 2018
120. On average 90% of online 18–24 year-olds and 94% of 25–34 year-olds accessed BBC Online per month in Q1 2018. (comScore MMX Multi-Platform, UK, [P] BBC Sites, January – March 2018, Persons: 18+). BBC iPlayer is used by 30% of 15–34s. 92% of adults aged 15+ use the BBC overall each week, compared with 86% of 15–34 year-olds. (TouchPoints 2018, Great Britain only).
121. We estimate that on average 16–34 year-olds spend 1 hour 19 minutes per day with the BBC compared to 2 hours 44 minutes for individuals overall. Data modelled from BARB, BARB TV player reports, RAJAR, comScore, GfK SVoD data and TouchPoints.
122. [BBC Annual Report and Accounts 2017/18](#), page 65
123. Ofcom, [Representation and Portrayal on BBC Television](#), October 2018

124. Ipsos MORI, June 2017, [BBC Distinctiveness](#)
125. Ipsos MORI, June 2017, [BBC Distinctiveness](#), pages 11–13.
126. The BBC's plans include more personalisation and an enhanced user experience for the iPlayer. [BBC Annual Plan 2018/19](#)
127. Ofcom BBC Performance Tracker October 2017 – April 2018
128. This refers to the [AB socio-economic groups defined by NRS](#), which include higher and Intermediate managerial, administrative or professional occupations.
129. This refers to the [DE socio-economic groups defined by NRS](#), which include semi-skilled and unskilled manual workers; state pensioners, casual and lowest grade workers, unemployed with state benefits only.
130. Ofcom BBC Performance Tracker October 2017 – April 2018
131. Ofcom BBC Performance Tracker October 2017 – April 2018
132. Ofcom analysis of BBC data.
133. Operating Licence, paragraph 2.53.3
134. Ofcom [BBC Distinctiveness Research Report 2017](#)
135. Operating Licence, paragraph 2.46
136. [Our letter of approval is published on our website here.](#)
137. As required by Article 11 of the [Charter](#).
138. Following consultation, we are in the process of making a number of changes to these requirements.
139. A material change is defined under the [Agreement](#) as the carrying out of any activity as a new UK public service; or any change to a UK public service which may have a significant adverse impact on fair and effective competition.
140. If a change is judged to be material by the BBC Board, the BBC will carry out a PIT, which will only be met if the BBC Board is satisfied that a proposal will generate sufficient public value to justify any adverse impact on competition which it is unable, via reasonable steps, to avoid.
141. The Commercial Holdings Board is the main governance body for the commercial subsidiaries and sits between the BBC Board and the commercial subsidiaries' boards and executives.
142. [The BBC's voluntary commitments to Ofcom on the merger of BBC Studios and BBC Worldwide](#), 23 March 2018.
143. Ofcom, 2018, [BBC Scotland Competition Assessment](#), Final determination.
144. We recently consulted on our proposals to update the terms of the Licence to take account of BBC Scotland and how we will measure the performance of the channel. Ofcom, 2018, Consultation: The new BBC Scotland Channel – [Proposed variation to Ofcom's Operating Licence for the BBC's public services](#).
145. Ofcom, 2018, [Consultation: Commissioning for the BBC Public Services](#).
146. Ofcom, 2018, [Consultation: The BBC's commercial and trading activities: requirements and guidance](#).
147. Under the [Charter and Agreement](#), we are required by April 2019 to consider whether to carry out a review of how the BBC's commercial television production activities (currently undertaken by BBC Studios) meet the trading and separation requirements.
148. 'Current affairs' refers to any programme covering matters of political or industrial controversy and matters relating to current public policy. Under the Code BBC news programmes must be duly accurate. All BBC non-news factual programmes must ensure that they do not materially mislead the audience.
149. See [Introduction to Ofcom's Operating Framework for the BBC](#) for further details.
150. Under the [Charter and Agreement](#) Ofcom does not regulate the content standards of the BBC World Service
151. Ofcom also sets and enforces [rules for party political and referendum broadcasts](#). These set out the requirements we consider appropriate for the inclusion of party political broadcasts (including party election broadcasts) and referendum campaign broadcasts.
152. The 'BBC First' regime does not apply to Fairness and Privacy complaints; unlike complaints about BBC content standards, these can be made to Ofcom in the first instance.
153. Complainants can also come to Ofcom if they consider, following the resolution of a complaint by the BBC that the imposition of a sanction may be appropriate, or if the BBC has failed to resolve a complaint within the time period set out in its procedures.
154. Ofcom has set and published [procedures for the handling and resolution of relevant complaints](#) about the BBC and for how we consider the imposition of sanctions on the BBC, applicable from April 2017.

- 155. The BBC defines an editorial complaint as one which suggests that a specific item broadcast or published on the BBC's services has fallen below the standards expressed in the BBC's Editorial Guidelines. Complaints which raise issues of editorial standards but are not about particular items are dealt with by the BBC under their General Complaints Procedure. See [BBC Complaints Framework and Procedures](#) for all of the BBC's complaints procedures
- 156. BBC Annual Reports and Accounts 2017/18
- 157. Ofcom took over responsibility from the BBC Trust for regulating matters relating to due accuracy, due impartiality, elections and referendums on 22 March 2017, to take account of the start of the election period for various elections that took place on 4 May 2017.
- 158. 44 of these complaints were about matters that were outside Ofcom's remit.
- 159. Two of the three complaints referred for investigation were about the same issue; these cases are classed as one investigation.
- 160. During 2017/18, we launched a second standards investigation regarding an edition of Sunday Politics broadcast on 30 April 2017. Ofcom is considering whether this programme breached Rule 2.2 of the Code, which states: "Factual programmes or items or portrayals of factual matters must not materially mislead the audience".
- 161. The BBC First regime does not apply to Fairness and Privacy complaints, and unlike complaints about BBC content standards, these can be made to Ofcom in the first instance.
- 162. Ofcom's [Broadcast and On Demand Bulletin Issue 331](#), page 39
- 163. Ofcom and BBC Arrangement relating to online material
- 164. Ofcom began considering complaints about the BBC's online material when the Digital Economy Act came into effect on 27 April 2017, granting us the power to consider such complaints.
- 165. Ofcom Bulletin for complaints about BBC online material, Issue 5
- 166. Impartiality means not favouring one side or another. The concept of 'due' means adequate or appropriate to the subject matter and nature of the programme. So the concept of 'due impartiality' does not mean that an equal division of time has to be given to every view, or that every argument must be represented.
- 167. The period covered by this report encompassed the election period for the various local and mayoral elections that took place across Great Britain on 4 May 2017; the election period for the UK General Election that took place on 8 June 2017; and the start of the election period for the English local and mayoral elections that took place on 3 May 2018.
- 168. [Determinations by Ofcom in relation to BBC complaints handling](#)