

opening up new markets for commercial exploitation and thereby benefiting manufacturers and retailers as well as offering new opportunities for independent producers. On the negative side, CBeebies has reduced audiences for some commercial children's channels, but with a relatively modest impact on profitability because it does not compete for advertising revenues. Independent analysis commissioned by the BBC⁷⁰ indicates that CBeebies has reduced rivals' advertising cash flow by only around 3%. The same study estimates that the combined impact of these positive and negative factors has been broadly neutral for the commercial media market as a whole.

The test can also be applied along the dimension of the BBC's five public purposes of creating democratic, cultural and creative, educational, social and global value. In the case of CBeebies, most of its value is cultural, educational and social.

From this assessment, it is clear that the overall public value of CBeebies is high. Our aim is to turn this public value test into a rigorous evaluation technique, quantified where possible and exploring valid ways of assessing citizen value where quantification is not possible.

The first practical application of the public value test leading to changes in services will be in online. We have applied some of the key principles of the test to bbc.co.uk, including an assessment of market impact and wider economic value. We will be publishing the results as part of the BBC's future internet strategy in the summer, including the implications for sites that will be changed, closed and in some cases expanded, to deliver greater public value.

In future, the public value test will be the main tool for the Board of Governors' scrutiny of new services, and will be underpinned by significant independent assessment by outside experts. All new proposals outlined in Chapter 3 would have to pass the public value test before being approved by the Board. In Part II, the BBC's Board of Governors sets out how these proposals will form part of a strengthened governance framework.

We will be continuing to refine the public value test over time, and would welcome working with Ofcom and the other public service broadcasters to develop it further as a practical and useful tool for assessing the contribution of public service broadcasting.

4.2 An evidence-based approach to measuring performance

While the public value test will be used to help make decisions about new services, we also intend to introduce new and easily understood performance measures for existing services. Managers, the Governors and the British public will be able to understand better how well the BBC's services are doing. To do this, we have developed a simple framework, based on the evidence and measures that we believe drive public value.

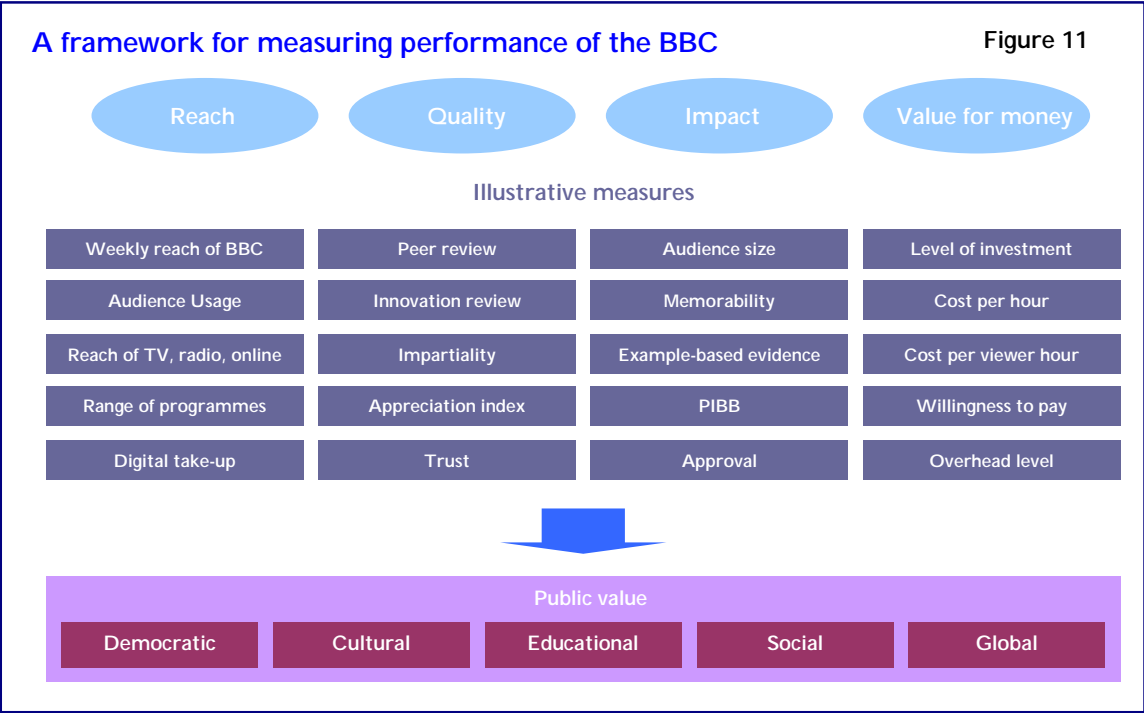
⁷⁰ Oliver & Ohlbaum Associates, *An Assessment of the Market Impact of the BBC's Digital TV Services – A Report for the BBC's submission to the DCMS Review*, 2004

Many of the measures are not new. Over the past few years, the BBC has developed one of the most sophisticated range of measures of any broadcaster in the world; members of the European Broadcasting Union regularly visit the BBC to study what it has done. On a regular basis we collect data on audience approval, appreciation indices for programmes, measures of programme memorability and impartiality surveys, together with standard ratings data.

We propose three changes for the future:

First, clarity and simplicity around the delivery of public value. Our future set of measures will focus on four factors: reach, quality, impact and value for money. Together, we believe they are the main drivers of public value. Where we can, we will collect direct evidence of public value – such as where a programme has changed lives or behaviour. Some of the main indicators we will use are shown in Figure 11. Some are quantitative; many are qualitative. There is no substitute for judgement in assessing public service broadcasting.

As part of our assessment of impact, we will adopt a measure similar to one currently used by PBS, the US public service broadcaster, called Points of Impact Beyond Broadcast (PIBB). PIBB was developed by PBS in the late 1990s as a means of tracking wider public impact through indicators like school usage and awards won. We already collect a great deal of data about the BBC’s wider public impact, and now want to make our approach to gathering and analysing it more systematic.



Second, the Board of Governors will use these measures to set objectives for the BBC and its services for each year, and will require management to report back against them. They will form the basis for the BBC’s Annual Report to Parliament and

the British public. Objectives for the year will draw heavily on these four aims of reach, quality, impact and value for money.

Reach will be our headline indicator of usage of the BBC's services. Reach is the best simple measure we have of the universality and equity of the BBC's services. More than any other, it tells us if the BBC is succeeding in its public role. We will track it closely at the pan-UK level and for different audience groups, as well as for different genres of programmes.

Pure ratings – audience size – also matters. Everyone pays the licence fee and audiences want the BBC to make popular programmes – there would be no point to a BBC that no one watched or listened to. However, ratings performance must always be judged on the basis of *how* it is achieved. The BBC must strive to attract significant audiences with programmes of high quality, ambition and distinctiveness. Ratings will be one of a basket of measures we use to assess impact.

And finally, every three to five years, the Board of Governors will commission a major independent survey of the public value of the BBC, involving 10,000 respondents. The survey will be designed with the aim of providing a valuable indicator of important trends and needs. The Board will publish the results, along with any action they choose to take as a result.

4.3 A Service Licence for each channel and service

Each BBC channel and service will be given a Service Licence by the Board of Governors that sets out the budget, remit and performance targets the Governors expect to be met. The Service Licences, which will be published, will be based on a mix of measurable and judgemental factors that Governors believe drive the public value of that service, using the performance measurement framework described above. If a service wishes to deviate from its Service Licence, it will need approval from the Board of Governors.

As part of their annual assessment of BBC strategy, the Governors will consider carefully the balance of spend between and within traditional core services (BBC One or Radio 2, for instance) and new digital ones (such as BBC Three or BBC 7). In particular, they will ensure that the quality and range of existing services is not compromised by the proposed launch of new ones.

In this chapter, we have set out the BBC's proposals for demonstrating and measuring the public value of its services over the next decade. We believe they amount to a radical change in the scrutiny and accountability of BBC service performance and development. In Part II the Governors describe how these new methods will be embedded within a strengthened governance system.

In the next chapter, we examine the implications of this public value framework for the BBC's range of services in the future.
