

Appendix A



BBC Governance Unit

PVT Robustness Assessment - Extracts

October 2005

Introduction

This document is a summary of the key conclusions of a study that Spectrum Strategy Consultants undertook, in the Spring of 2005, and presented in July 2005 to the BBC's Board of Governors

Spectrum was asked by the Board to review the robustness of the Public Value Test, as developed by BBC Strategy. Our study endorsed BBC's Strategy's general approach, subject, in particular, to five key recommendations for improvement; these recommendations have, subsequently, been accepted by the BBC Board of Governors. Spectrum also made a number of detailed recommendations concerning operational aspects of the Public Value Test that the Governance Unit is currently considering.

This document comprises 4 sections:

1. The Public Value Test (PVT) Methodology, as developed by BBC Strategy
2. Our review of BBC Strategy's Public Value (PV) Methodology, and our recommended improvements
3. A revised PVT Public Value (PV) Methodology, as used for a 'cold test' of CBBC
4. Summary "cold test" result for CBBC

1 The Public Value Test (PVT) methodology, as developed by BBC Strategy (Nov 2004)

The PVT, as developed by BBC Strategy, addresses the BBC's public value contribution in relation to service delivery costs and market impact, based on a holistic assessment of quantitative and qualitative indicators

Section summary

The PVT approach, developed by BBC Strategy, aims to support the assessment of public value, based on a consistent and transparent set of criteria, alongside the exercise of appropriate judgement.

The BBC PVT methodology seeks to assess the Net Public Value of a service, taking account of public value contribution, cost of delivery, and, external, Market Impact (comprising Economic Value and Crowding Out).

Focusing on the Public Value (PV) portion of the test, the BBC *PV Methodology* is directed by five key questions.

To address these five questions, the BBC approach employs a wide range of indicators, including willingness-to-pay and conjoint analysis, as well as tracking studies and standard industry metrics.

Finally, the BBC PVT (Nov 2005) makes a holistic assessment, based on an analysis of the indicators in each question area.

The PVT approach, developed by BBC Strategy, aims to support the assessment of public value based on a consistent and transparent set of criteria, alongside the exercise of appropriate judgement

Objectives and overall approach of the BBC's Public Value Test – the BBC PVT as at Nov 2004

Basis of our review of the BBC PVT methodology

- We have based our review primarily on the “Measuring Public Value in the BBC” submission to the Governors, of November 2004.
- In addition, we have reviewed more recent worked examples by BBC Strategy, such as the CBeebies case, and discussed the approach with the Controller, BBC Strategy.

Objective

- The public value assessment methodology, developed by BBC Strategy, has two primary aims:
 - to facilitate prioritisation decision for service development: *“to enable decision makers across the BBC to choose between competing ideas on the basis of a consistent and transparent set of public value criteria”* ⁽¹⁾.
 - to provide a foundation for an effective Public Value Test by the Governors, when this is appropriate: *“... a simple process for identifying those proposals that need to be subject to a full, independent, public value test by the Board of Governors”* ⁽¹⁾.

Overall approach

- The BBC Strategy developed approach seeks to integrate the three ways of thinking about public value identified in the BBC's *Building Public Value* document:
 - **Components of Public Value** (Individual Value, Citizen Value, Economic Value)
 - **BBC Public Purposes** (Democratic, Cultural, Educational, Social, Global)
 - **Drivers of Public Value** (Reach, Quality, Impact, Value for Money).
- The approach is based on a mix of quantitative and qualitative factors and allows for the exercise of legitimate judgement: *“Many aspects of public value are not quantifiable ... judgement will be the final arbiter in many cases”* ⁽¹⁾.

Source: (1) Measuring Public Value in the BBC [Board of Governors Board paper]

The BBC PVT methodology seeks to assess the **Net Public Value** of a service, taking account of public value contribution, cost of delivery, and, external, Market Impact (comprising Economic Value and Crowding Out)

The BBC PVT framework

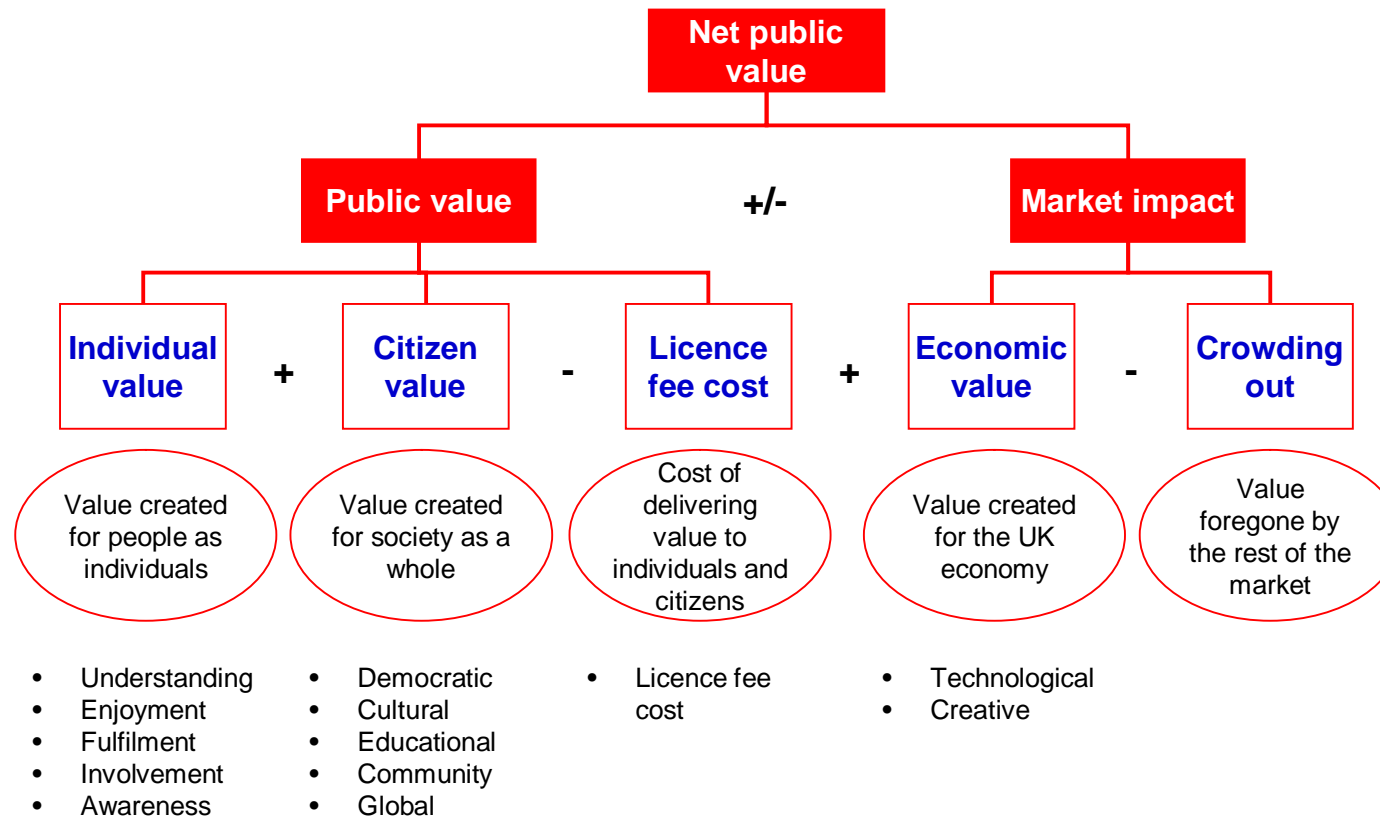
We have based our review primarily on the “Measuring Public Value in the BBC” submission to the Governors (November 2004), which outlined the PVT Methodology proposed by BBC Strategy.

In addition, we have reviewed more recent worked examples from BBC Strategy, such as the CBeebies case, and discussed the approach with BBC Strategy.

The BBC PVT framework assesses the **Net Public Value** of a service, by combining:

- **Public Value** created – for people as individuals and for society as a whole, less the cost of provision
- **Market Impact** (external impact) of the service – both in terms of positive value created for the UK economy and negative or foregone value for the rest of the UK market.

Net Public Value framework – as developed by BBC Strategy⁽¹⁾



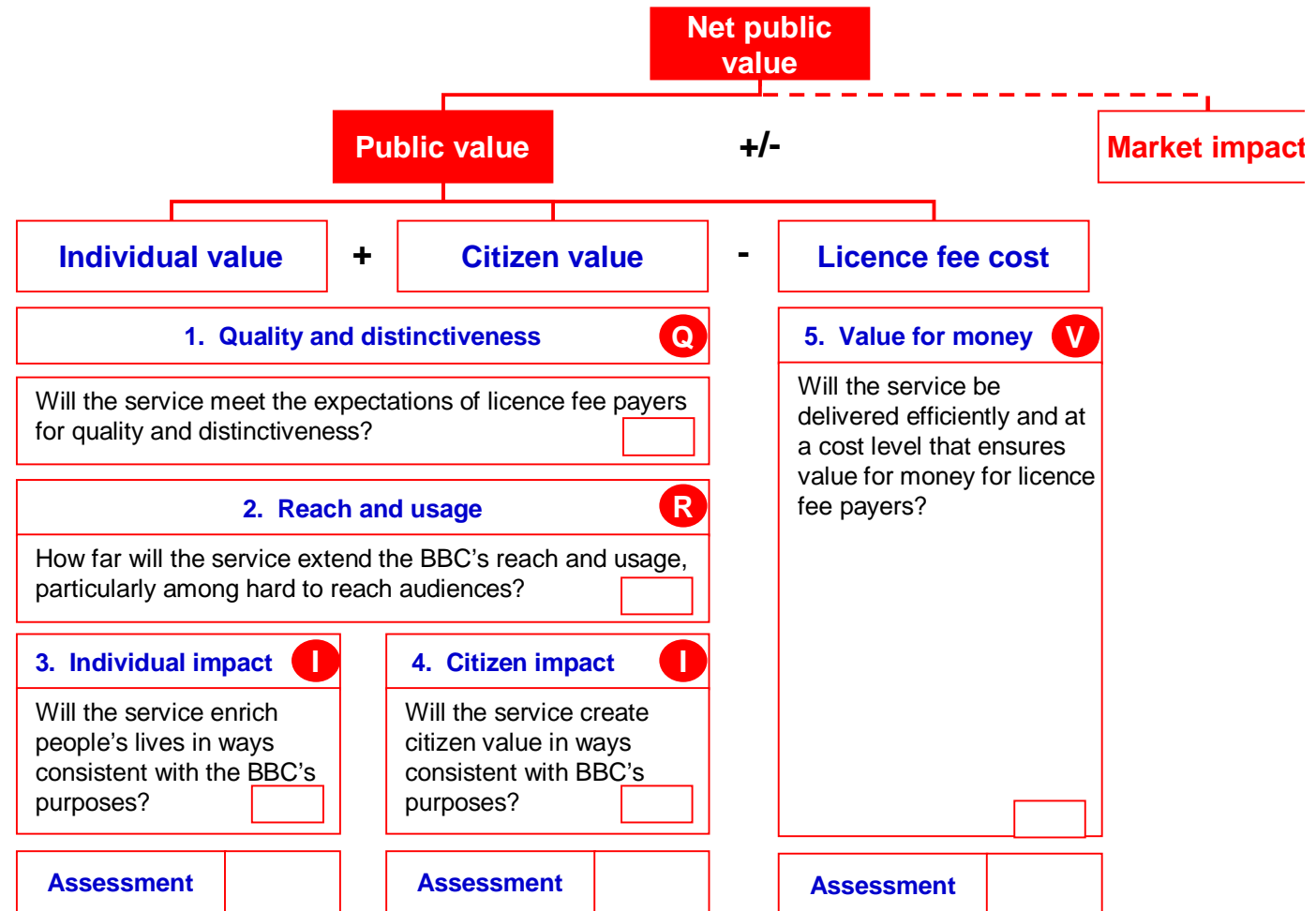
source: (1) Measuring Public Value in the BBC [Board of Governors Board paper]

Focusing on the Public Value (PV) portion of the test, the BBC *PV Methodology* is directed by five key questions

Public Value question set

- The BBC PVT methodology uses five questions to target the assessment of value and cost that determine the public value created by a service, in isolation from external impacts.
- Particular questions address, Quality and Reach.
- Further questions address Individual Value and Citizen Value in terms of “impact”.
- One question focuses on both Cost and Value for Money.

Question set to address *Public Value* within the PVT – as developed by BBC Strategy⁽¹⁾



Source: (1) Measuring Public Value in the BBC [Board of Governors Board paper]

To address these five questions, BBC Strategy’s methodology employs a wide range of indicators, including willingness-to-pay and conjoint analysis, as well as tracking studies and standard industry metrics

Approach to data gathering to inform assessment of the five questions relating to *public value* – as developed by BBC Strategy⁽¹⁾

Questions

Sample indicators

Data gathering approach

Q Quality and distinctiveness

- Licence payer perceptions of excellence, originality, impartiality, quality
- Innovation review
- Appreciation
- Distinctiveness assessment
- Peer review

- Tracking studies; primary market research
- Sample research question:
 - *...(select) the extent to which you feel each (service) is distinctive? Distinctive as high quality, original or different⁽¹⁾.*

R Reach and usage

- Weekly reach
- Reach of underserved
- Availability
- Audience size and usage
- Range of programmes

- Standard industry metrics, tracking studies

I Individual impact

- Approval
- Memorability
- Willingness to pay
- Points of impact beyond broadcast (PIBB)
- Participation

- Tracking studies; primary market research
- Sample research question
 - *“...which (of these services) stand out as being of interest and appealing?⁽¹⁾*

I Citizen impact

- Example-based evidence of:
 - Democratic value
 - Cultural value
 - Educational value
 - Social & community value
 - Global value

- Primary market research
- Sample research question:
 - *“Which of these do you feel the BBC should do for the greater good of others, society and the country as a whole?⁽¹⁾*

V Value for money

- Absolute cost
- Benchmarked cost
- Cost per hour
- Cost per user hour
- Costs of alternative provision

- Financial costs (accounting)

Note: (1) Measuring Public Value in the BBC [Board of Governors Board paper].
Source: BBC New Services Research: Draft Quantitative Questionnaire for Main Stage: Version 8 – 18/02/05.

Finally, the BBC PVT (Nov 2005) makes a holistic assessment, based on an analysis of the indicators in each question area

Overall assessment based on aggregation of indicators

The outcome of the application of the methodology is a “rich picture” of the main drivers of public value.

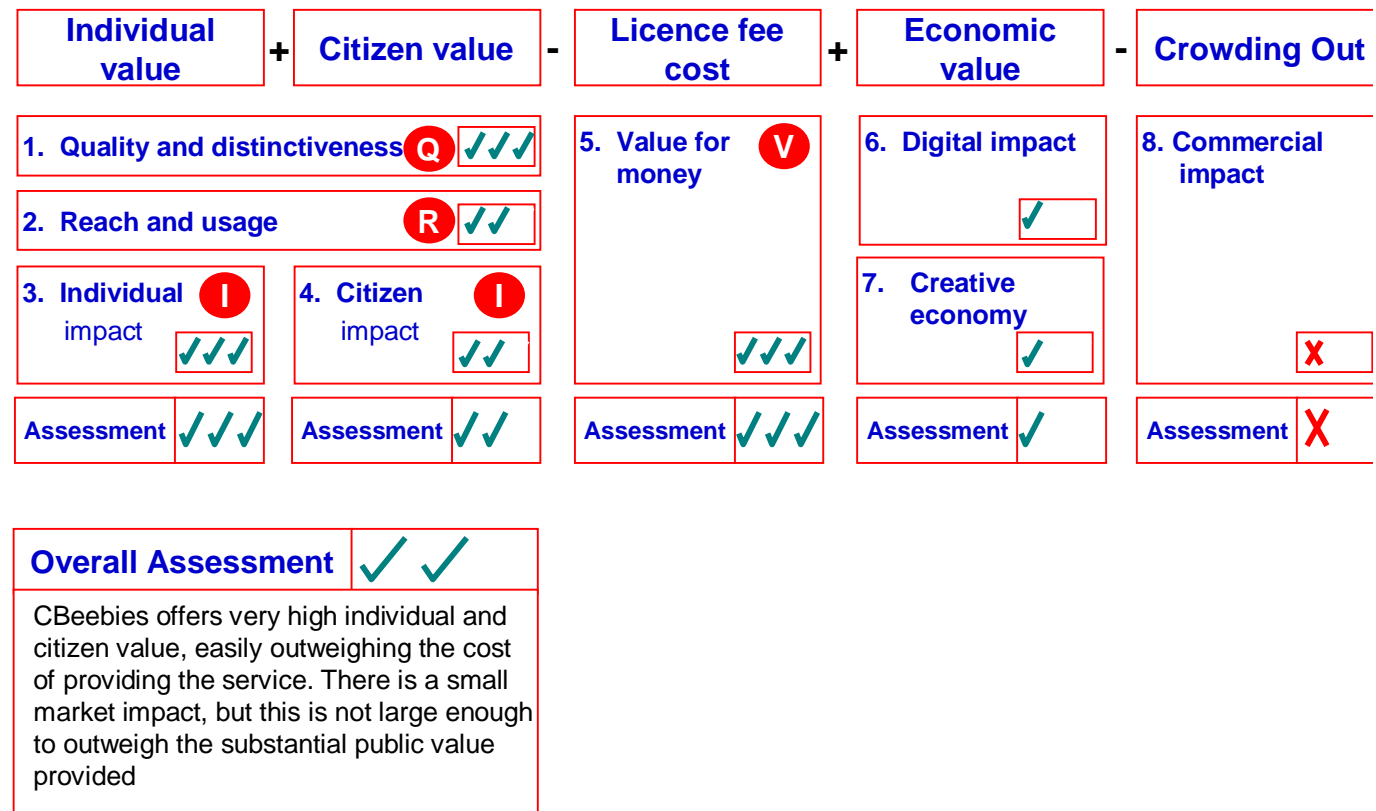
Financial estimates are used in some aspects of the evaluation

- Value for money
- Commercial impact.

The individual and citizen value assessments are based on a mix of citizen-consumer research (e.g. WTP⁽²⁾) and qualitative indicators.

The CBeebies worked example highlights WTP measures of IV and CV in comparison to cost of provision and Market Impact – this raises the question as to how far it is appropriate for the final analysis to be based upon a financial and / or non-financial quantification.

Overall PVT Assessment - CBeebies as an example trialled by BBC Strategy⁽¹⁾



Source: (1) Measuring Public Value in the BBC [Board of Governors Board paper] - based on Building Public Value concepts.

Note: (2) Willingness to Pay research.

2 Our review of the BBC Strategy *Public Value* (PV) Methodology and recommended improvements

- 2.1 Section introduction
- 2.2 Review of the overall PVT approach
- 2.3 Recommended improvements to the PV Methodology, as developed by BBC Strategy

We endorse the general PVT approach initially proposed by BBC Strategy, based on a *structured, evidence-based, framework* – four recommendations we have made have been included in a *Revised PV Methodology*

Section summary

We have reviewed both BBC Strategy's proposed overall approach for the PVT and the PV Methodology itself, and we have made several recommendations for improvement.

We have considered four potential, high-level, PVT approaches, summarised as: (1) "Fundamentally qualitative", (2) "Structured, evidence-based, framework"; (3) "Quantitative Algorithm"; and (4) "Financial Algorithm".

Across the four types of approach, the nature and mix of judgements exercised ranges from subjective assessment to financial analysis.

We endorse the general PVT approach initially proposed by BBC Strategy, based on a *structured, evidence-based, framework*.

Four of our recommendations have been incorporated into a *Revised PV Methodology*: (1) clearer articulation of the methodology; (2) a step focusing on Public Purposes; (3) increased focus on Distinctiveness; and (4) comparative assessment.

One of our recommendations has not, at this stage, been incorporated: to replace "Value for Money", "V", in the final step of the methodology, with "Cost", "C", and to treat "V" as a separate subsequent step.

We have reviewed both BBC Strategy's proposed overall approach for the PVT and the PV Methodology itself, and we have made several recommendations for improvement

Section introduction

The PVT – review of the overall PVT approach

- We have reviewed the PVT, as developed by BBC Strategy, in terms of its overall approach, taking into account:
 - its suitability to address the diverse character of public value (incorporating social / civic value as well as a consumer value); and
 - the appropriateness of the balance between qualitative and quantitative factors.

The PV Methodology – recommendations for improvement

- We have reviewed the proposed PV Methodology (the “left-hand-side” of the Net Public Value framework) and we have made five recommendations for improvement. With one exception, relating to the approach to the assessment of *Cost* and *Value-for-Money*, these recommendations have been accepted and incorporated into a *Revised Methodology*, as set out in the following chapter. This revised methodology has been deployment in our “cold test” of CBBC.

We have considered four potential, high-level, PVT approaches, summarised as: (1) “fundamentally qualitative”, (2) “structured, evidence-based, framework”; (3) “quantitative algorithm”; and (4) “financial algorithm”

Alternative high-level approaches for the PVT

- 1** “Fundamentally qualitative”
 - A selection of quantitative and qualitative indicators, presented as discrete items of information, but without formulation into a systematic, analytical, framework.
- 2** “Structured, evidence-based framework”
 - A systematic, analytical framework, combining quantitative analysis, wherever appropriate, and qualitative indicators, when necessary.
- 3** “Quantitative algorithm”
 - As many parameters as possible are quantified, using both financial and non-financial metrics – only those indicators that defy quantification are left as qualitative indicators; an attempt might, then, be made to combine these metrics within a (pre-determined) algorithm, in order to reduce the role of subjective assessment.
- 4** “Financial algorithm”
 - As many parameters as possible are expressed financially and metrics are, then, combined within a (pre-determined) algorithm. Non-financial and qualitative indicators accompany, but do not drive, the central financial value estimate.

Across the four types of approach, the nature and mix of judgements exercised ranges from subjective assessment to financial analysis

Approach definitions:

- 1 “Fundamentally qualitative” 2 “Structured, evidence-based, framework” 3 “Quantitative algorithm” 4 “Financial algorithm”

Exercise of judgement

- Judgement is based on the subjective assessment of discrete indicators and the decision-making approach varies from case-to-case.
- Judgement is based on an evidence-based, structured framework that marshals quantitative data and qualitative information to inform balanced judgements – without forcing quantification, where this would be unhelpful or misleading.
- Judgement is around central “*quantitative results*”, taking into account the surrounding qualitative indicators.
- Judgement is based around central “*financial results*”, taking into account the surrounding non-financial quantitative and qualitative indicators.

Analogies in other spheres

- Analogous to decision-making by a “trusted body” – authority of decision-making depends critically upon *trust in / credibility of* the decision-making body, as transparency and external scrutiny are difficult.
- Analogous to purchasing decisions that take into account financial, as well as qualitative, factors, or legal judgements that weigh the merits of relevant evidence.
- Analogous to a highly quantitative “scorecard” approach.
- Analogous to a commercial business case evaluation – for example, based on NPV⁽¹⁾

Note: (1) Net Present Value

We endorse the general PVT approach initially proposed by BBC Strategy, based on a *structured, evidence-based, framework*

Approach Definitions:	1 “Fundamentally qualitative”	2 “Structured, evidence-based, framework”	3 “Quantitative algorithm”	4 “Financial algorithm”
	<ul style="list-style-type: none"> • Maximum flexibility and exercise of judgement • Maximum risk of inconsistency / lack of transparency and credibility 		<ul style="list-style-type: none"> • Maximum financial quantification • Maximum risk of “distortion” in decision-making 	
“Pros”	<ul style="list-style-type: none"> • Allows freedom to assess an unbounded range of indicators to ensure BBC Purposes can be fully reflected. • Avoids implicitly over-weighting indicators that are quantifiable. 	<ul style="list-style-type: none"> • Provides a framework for the use and interpretation of the indicators, but still allows reasonable discretion. • Avoids implicitly over-weighting indicators that are quantifiable. 	<ul style="list-style-type: none"> • Reduces the number of discrete indicators to be assimilated, in order to make a final judgement. • Supports (apparent) consistency of judgements from case-to-case, by maximising the systematic use of quantitative indicators. 	<ul style="list-style-type: none"> • Maximises “hard” financial / economic data and, as such may appeal to some stakeholders. • Enables easier aggregation with output from the Market Impact / “Crowding Out” assessment⁽¹⁾.
“Cons”	<ul style="list-style-type: none"> • Leaves a great deal to the final exercise of subjective judgement – hence, vulnerable to challenge of lack of objectivity / impartiality. • Increased risk of inconsistency in judgements from case-to-case. • Difficult to weigh the Public Value Assessment against Market Impact / “Crowding Out” calculation⁽¹⁾. 	<ul style="list-style-type: none"> • Leaves a significant element of subjective judgement – hence, is subject to challenge of lack of objectivity / impartiality. • Some risk of inconsistency in judgements from case-to-case, given the range of discretion permitted. • May be difficult to weigh the Public Value Assessment against the Market Impact / “Crowding Out” calculation⁽¹⁾. 	<ul style="list-style-type: none"> • Risk of inappropriate, over-weighting of those indicators that can be quantified. • Risk of spurious quantification of essentially qualitative indicators, thus distorting the underlying story. 	<ul style="list-style-type: none"> • Significant risk of inappropriate, under-weighting of those indicators that cannot be quantified in financial terms. • Significant risk of spurious quantification of essentially qualitative indicators, thus distorting the underlying story.

Note: (1) Assuming this will be primarily based on financial measurements

Four recommendations have been incorporated into a Revised PV Methodology: (1) clearer methodology articulation; (2) a step focusing on Public Purposes; (3) increased focus on Distinctiveness; and (4) comparative analysis

Recommended improvements that have been incorporated into the Revised PV Methodology

A clearer, articulated, methodology

- It will be critical to document clearly the PVT methodology, and the **rationale** for the approach, in order to support consistent understanding and implementation. Our study will, we hope, help with this objective, as well as capturing some of the lessons learnt through BBC Strategy’s development and trial of the methodology. We have set out a revised set of primary and secondary questions to provide a stronger linkage between the methodological framework and the key supporting evidence.

Inclusion of step focusing on Public Purposes

- Introduction of an initial step to review the service’s orientation with respect to the BBC’s Public Purposes, in line with the emphasis on Public Purposes, and Purposes Strategies, in the Green Paper.
- Analysis of the service’s **fit** with the BBC’s portfolio and Purpose Strategies, to assess the degree to which the service
 - complements existing and planned delivery against Purposes; and
 - is in line with the BBC’s future strategy.

Increased focus on Distinctiveness

- Greater emphasis on the significance of “**Distinctiveness**”, as reinforced in the Green Paper. The concept of distinctiveness is addressed in the original BBC Strategy Methodology, but we have focused on this aspect more explicitly in the Revised methodology.

Comparative assessment

- For the Governors to ensure that the licence fee is allocated appropriately, we have recommended high-level comparisons in relation to:
 - related existing BBC Services (performance of similar services can inform judgements and provide “precedents”)
 - alternative investment options (including proposed services at pre-pilot stage and potential incremental investments in existing services)
 - alternative means for the BBC to achieve the same objectives (e.g. the use of other platform approaches)
 - commercial benchmarks (as available).
- This comparative analysis would have to be tempered by practicality, but should become easier over time (e.g. as information flows from: the PMF⁽¹⁾ initiative, PVA⁽²⁾ analyses; and “case history” from previous PVTs).

Notes: (1) Performance Measurement Framework – continuous measurement framework, carried out by BBC Management and based on the underlying RQIV drivers.
 (2) Public Value Assessment – analyses carried out by BBC Management to assess and prioritise potential service developments, using a similar approach to the PVT.

One of our recommendations has not, at this stage, been incorporated: to replace “Value for Money”, “V”, in the final step of the methodology, with “Cost”, “C”, and to treat “V” as a separate subsequent step

Recommended improvements that have not, at this stage, been incorporated into the Revised PV Methodology

Treatment of VFM “V” and Cost “C”

- In the current final step of the PV methodology proposed by BBC Strategy, we believe that the “V” driver should be more clearly interpreted in terms of:
 - “**Cost**” to identify the cost of delivery of the service being tested
 - “**Value-for-money**” as a separate step that takes account of:
 - *public value* and *cost* together to indicate the “cost / benefit” of an individual service
 - *value for money* in a wider assessment of the BBC’s overall efficiency and effectiveness
 - *value for money* in relation to alternative investment options, given finite total budgets.
- Our concern is that, if this change is not made, confusion is likely in the interpretation of the methodology when making respective assessment, of cost and value for money.

3 A Revised PVT *Public Value* (PV) Methodology, as used for a “cold test” of CBBC

- 3.1 Section introduction
- 3.2 Revised PV Methodology – Overview
- 3.3 Revised PV Methodology – Framework
- 3.4 Revised PV Methodology – Evidence

The Revised PV Methodology is underpinned by an assessment of the service’s fit with the BBC’s Purposes and includes a high-level comparative assessment against alternative BBC investment options

Section summary

This section describes a Revised PV Methodology, within the overall PVT framework, based on our recommendations as set out in the previous chapter – with the exception of the replacement of “V” with “C” within the service analysis, as discussed in the prior section.

The overall PVT methodology can be considered in terms of three hurdles: (1) Purpose Alignment and Quality / Distinctiveness; (2) Public Value / VFM; and (3) Full PVT (adding in Market Impact analysis).

When describing the PV Methodology, we consider two different levels: (1) “Framework” – a structure to inform an evidence-based judgement; (2) “Evidence” – quantitative and qualitative data.

In order to address the questions within each of the PV Framework steps, two levels of analysis need to be undertaken: (1) Service Assessment; and (2) Comparison with alternative BBC investment options.

The “Service Assessment” considers public value creation by focusing on evidence concerning the specific service “under test”, employing benchmark comparisons to commercial services and relevant BBC services, as appropriate.

The “Assessment against alternative BBC investment options” analysis *compares* the service with selected alternative BBC options – to assess whether the service would represent the *best* allocation of the licence fee.

To give direction to the gathering and marshalling of evidence within the PV Framework, we have developed a revised and extended set of questions that addresses all approaches taken.

Given the complexity of Framework Step 2, we have defined five additional subsidiary questions to address particular aspects of “Quality and Distinctiveness”.

The Revised PV Methodology is underpinned by an assessment of the service’s fit with the BBC’s Purposes and includes a high-level comparative assessment against alternative BBC investment options (continued)

Section summary (continued)

- In order to answer the questions within the methodology steps, we have identified an “evidence set”, based on five distinct types of evidence.
- We have mapped the evidence types against the five steps of the PV Framework, according to their likely frequency of use.
- We have also highlighted the likely quantitative and / or qualitative nature of the “evidence types” that are likely to inform each of the steps.
- As an example, for Framework Step 2, we expect that, on most occasions, content analysis, expert opinion and audience research data will be the appropriate “evidence types”

This section describes a Revised PV Methodology, within the overall PVT, based on our recommendations as set out in the previous chapter – with the exception of the replacement of “V” with “C” within the service analysis

Section introduction

This section describes a “Revised BBC PV Methodology”, part of the overall PVT framework, based on:

- adjustments to the approach outlined within the Net Public Value framework (presented by the Director of Strategy and Distribution to the Board of Governors in November 2004⁽¹⁾), in the light of Spectrum’s own analysis and discussions with the BBC Governance Unit and BBC Strategy, as discussed in the preceding chapter, with the exception of our recommendation to more clearly define cost in relation to value for money within the methodology
- further detailing of the approach in order to support a “cold test” of the CBBC service and a clear methodology against which to comment on the PVT’s robustness and areas of further improvement.

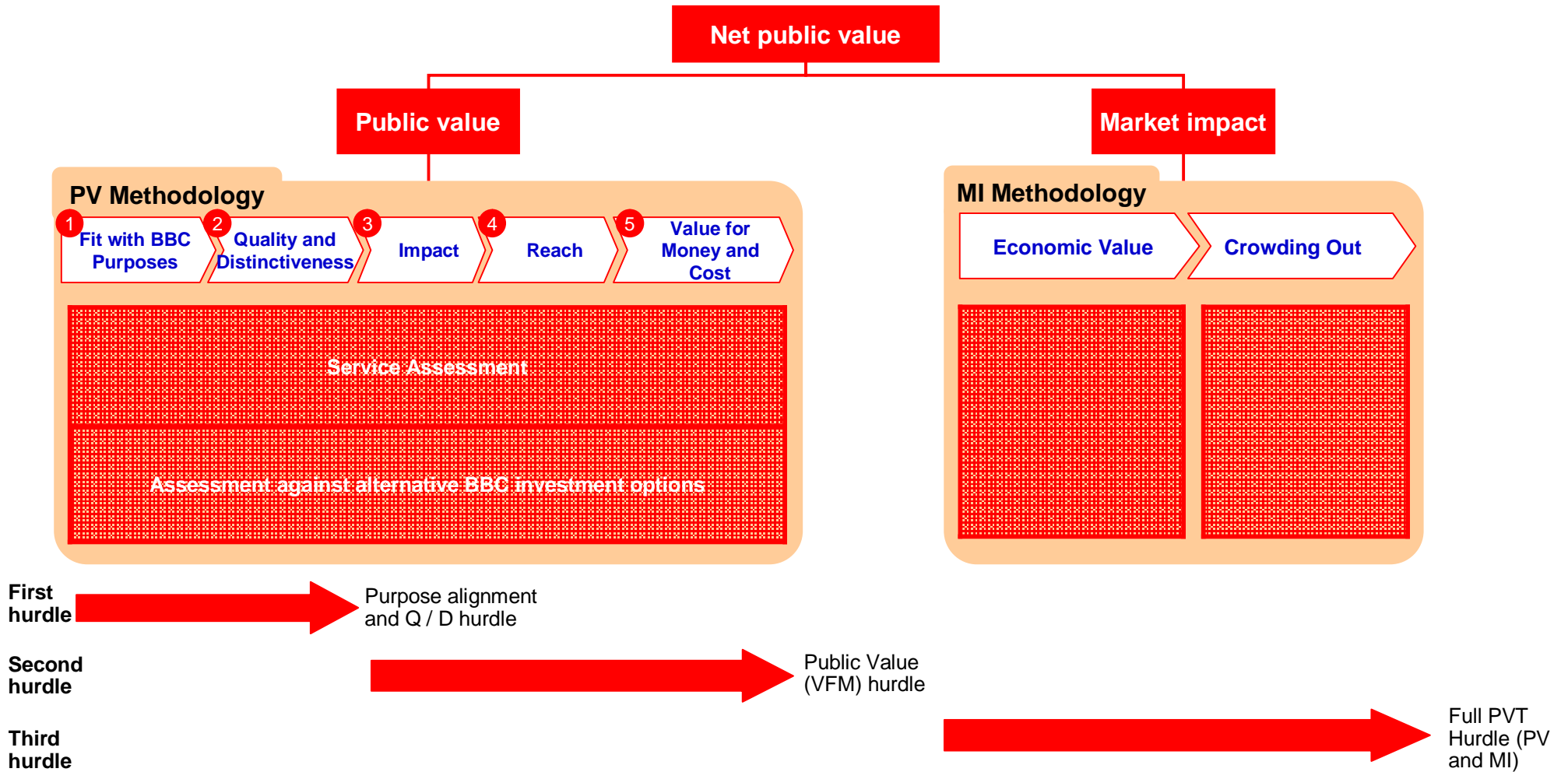
This *Revised PV Methodology* has been agreed with the BBC Governance Unit and BBC Strategy, as being the most appropriate version for deployment in, and conclusion of, the “cold test” of CBBC – the purpose of which is to test the robustness of the methodology and **not** to deliver a result for CBBC *per se*.

Our evaluation of the robustness of the methodology has also being informed by interviews with industry experts and opinion formers, as well as through our own analysis.

Note: (1) Measuring Public Value in the BBC [Board of Governors Board paper]

The overall PVT methodology can be considered in terms of three hurdles: (1) Purpose Alignment and Quality / Distinctiveness; (2) Public Value / VFM; and (3) full PVT (adding in Market Impact analysis)

The overall PVT Methodology – three hurdles



When describing the PV Methodology, we consider two different levels: (1) “Framework” – a structure to inform an evidence-based judgement; (2) “Evidence” – quantitative and qualitative data

Levels of the PV Methodology

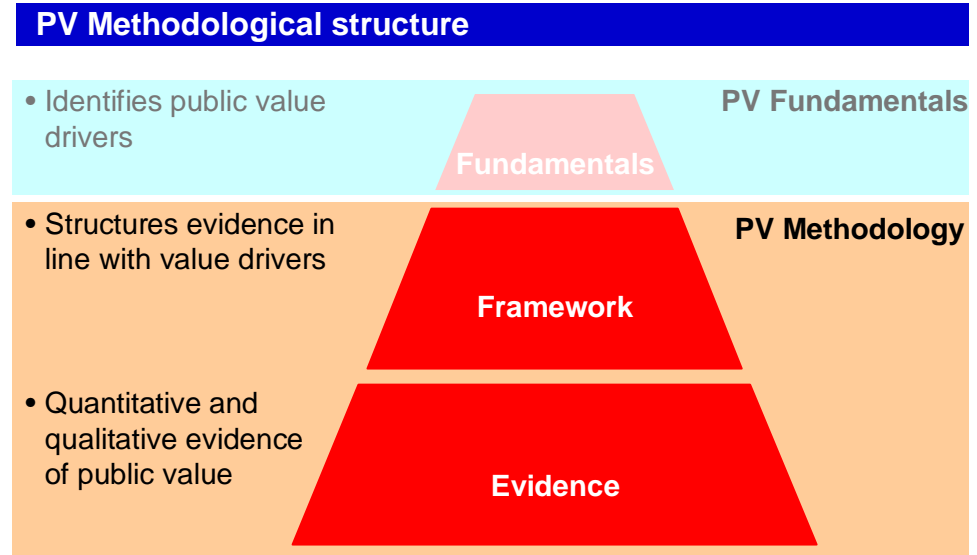
The PV Methodology relies on the fundamental drivers of the BBC’s contribution to public value, individual value, citizen value and economic value, as discussed in Section 3.

We consider the PV methodology at two different levels

- Framework
- Evidence.

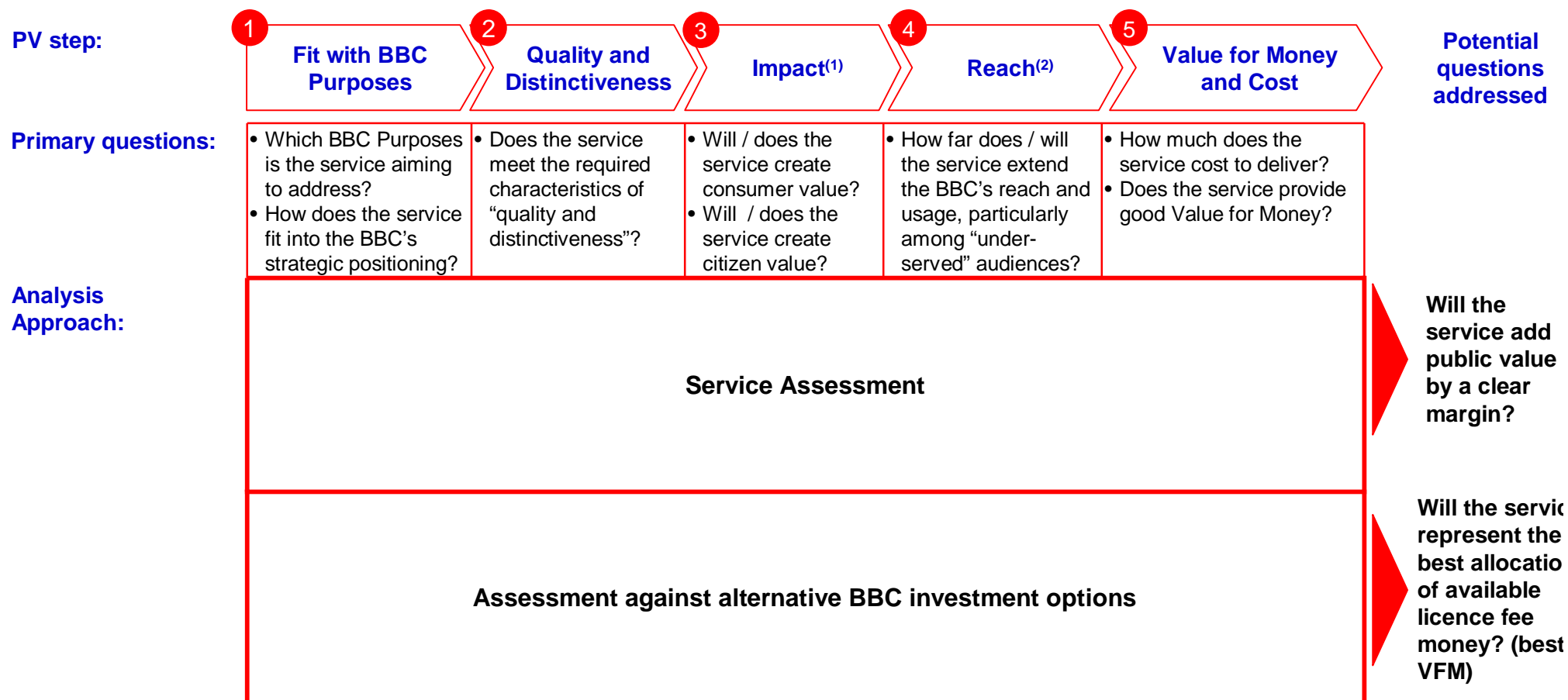
The “**Framework**” provides a systematic structure for the consideration of all relevant factors and should enable the exercise of judgement in a transparent way. The framework is “question-led”.

The “**Evidence**” provides “responses” to the framework questions in terms of quantitative and qualitative data (e.g. audience data and peer review) to support an overall assessment of public value.



In order to address the questions within each of the PV Framework steps, two levels of analysis need to be undertaken: (1) Service Assessment; and (2) Comparison with alternative BBC investment options

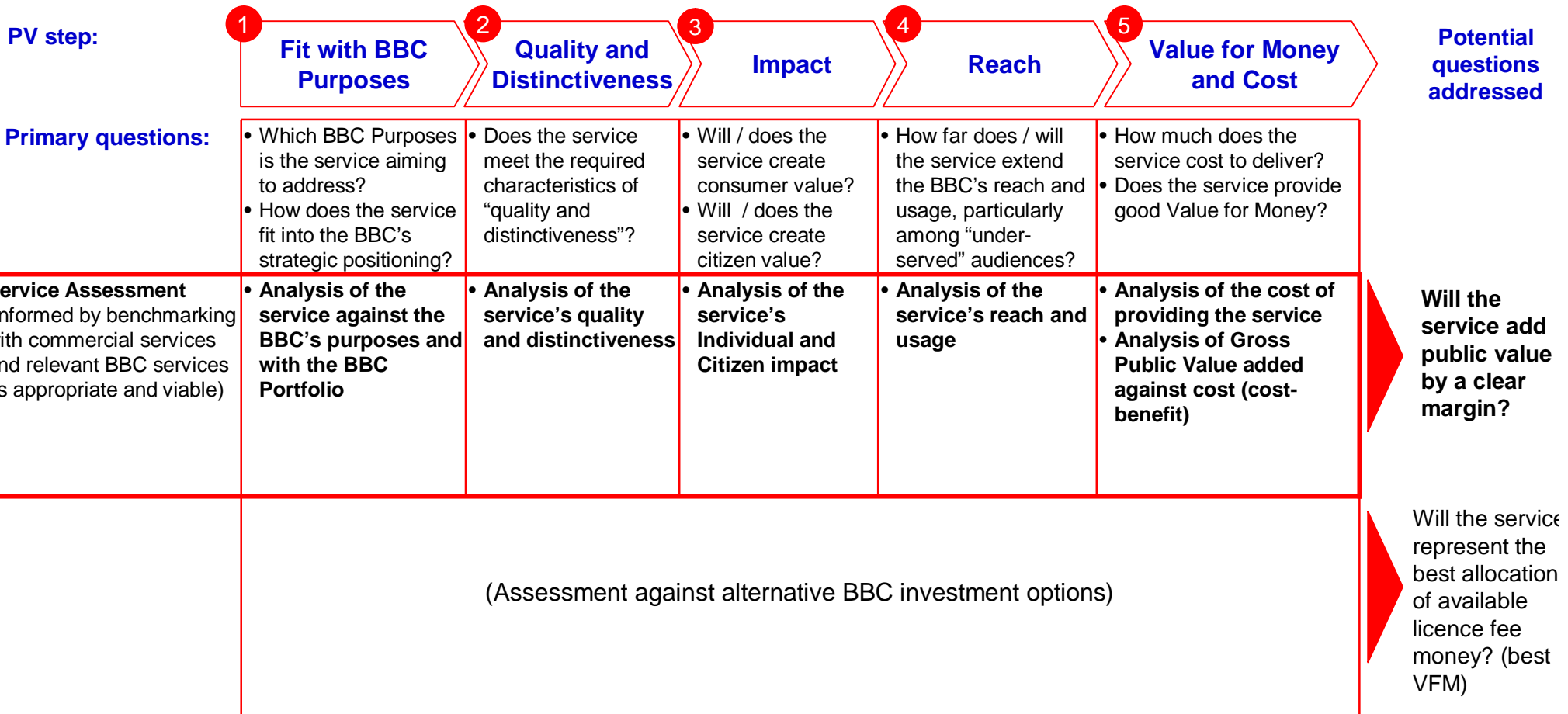
Five steps of the PV Framework and analysis approaches



Note: (1) We find it helpful to think of "Impact" as the "Gross Public Value" delivered "per person" in both Individual and Citizen terms, subject to the grading of the service's content in Step 2 (*Quality and Distinctiveness*)
 (2) We think of "Reach" providing a "scaling factor for *Impact*"

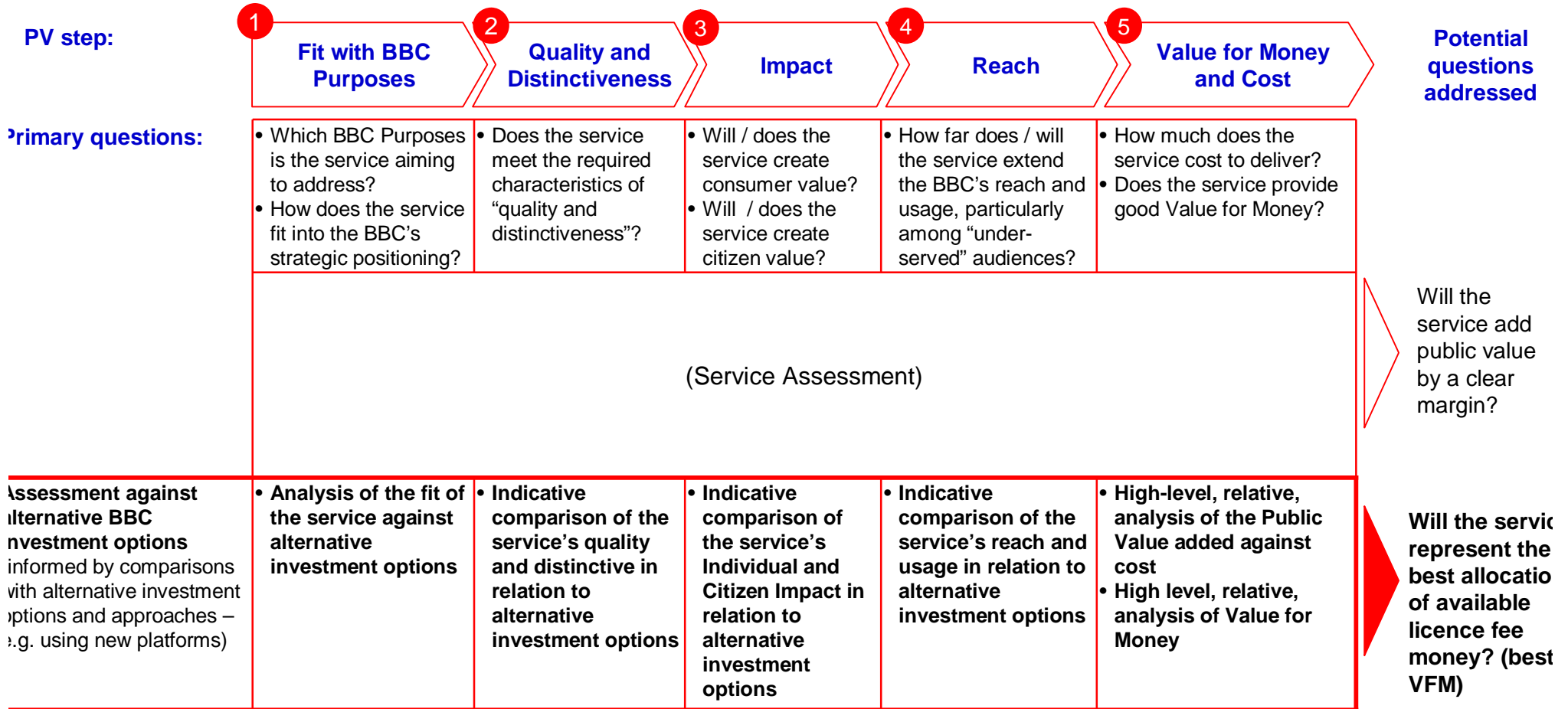
The “Service Assessment” considers public value creation by focusing on evidence concerning the specific service “under test”, employing benchmark comparisons to commercial services and relevant BBC services, as appropriate

Five steps of the PV Framework – “Service Assessment”



The “Assessment against alternative BBC investment options” analysis *compares* the service with selected alternative BBC options – to assess whether the service would represent the *best* allocation of the licence fee

Five steps of the PV Framework – “Assessment against alternative BBC investment options”



To give direction to the gathering and marshalling of evidence within the PV Framework, we have developed a revised and extended set of questions

Primary and secondary questions for each step of the PV Framework

	1 Fit with BBC Purposes		2 Quality and Distinctiveness	3 Impact	
	1a Purpose alignment	1b Strategic positioning		3a Individual impact	3b Citizen impact
Revised primary questions:	<ul style="list-style-type: none"> Which BBC Purposes is the service aiming to address? 	<ul style="list-style-type: none"> How does the service fit into the BBC's strategic positioning? 	<ul style="list-style-type: none"> Does the service meet the required characteristics of "quality and distinctiveness"? 	<ul style="list-style-type: none"> Will / does the service create individual / consumer value? 	<ul style="list-style-type: none"> Will / does the service create citizen value?
Additional secondary questions:	<ul style="list-style-type: none"> What is the service proposition? At what audience is the service targeted? Given service's definition and target audience, how does it address the BBC's Purposes? 	<ul style="list-style-type: none"> Is the service consistent with the BBC's future-looking "purpose strategies"? Does the service complement the BBC's current delivery of its purposes through its other services? How does the service compare to relevant known alternatives e.g. <ul style="list-style-type: none"> – projects at pre-pilot stage – alternative incremental investments in existing services – Alternative ways of achieving the same objective(s) 	<ul style="list-style-type: none"> To what extent does the service meet the required "programme characteristics" of quality? To what extent is the service adequately distinctive from UK commercial services? 	<ul style="list-style-type: none"> How much do people appreciate / enjoy the service? How much value will / does the service create in consumer terms? 	<ul style="list-style-type: none"> Will / do people recognise the service as delivering social / civic value in accordance with the BBC's purposes? How much value will / does the service create in citizen terms?

To give direction to the gathering and marshalling of evidence within the PV Framework, we have developed a revised and extended set of questions (continued)

Primary and secondary questions for each step of the PV Framework (continued)

	4 Reach	5 Value for Money and Cost	
		5a Cost	5b Value for Money
Revised primary questions:	<ul style="list-style-type: none"> How far does / will the service extend the BBC's reach and usage, particularly among "under-served" audiences? 	<ul style="list-style-type: none"> How much does the service cost to deliver? 	<ul style="list-style-type: none"> Does the service provide good Value for Money?
Additional secondary questions:	<ul style="list-style-type: none"> Is (will) the service (be) widely available, especially to its intended audience? What is (will be) the reach for the BBC's audience groups generally and for specific audience groups targeted by the service? What is (will be) the usage for the BBC's audience groups generally and for specific audience groups targeted by the service? 	<ul style="list-style-type: none"> What is the total cost? What is the unit cost? 	<ul style="list-style-type: none"> How does the service compare to selected existing BBC services? <ul style="list-style-type: none"> –Total "gross public value" added by the service (expressed in quantitative & qualitative terms) [minus] the total cost of delivery of the service How does the service relate to available commercial benchmarks? How does the service compare to relevant known alternatives e.g. <ul style="list-style-type: none"> –projects at pre-pilot stage –alternative incremental investments in existing services? –alternative means of delivery (e.g. using new / different platform)

Given the complexity of Framework Step 2, we have defined five additional subsidiary questions to address particular aspects of “Quality and Distinctiveness”

Additional questions for Step 2 “Quality and Distinctiveness”

We have broken **Quality** down into excellence, originality and creativity, and innovation

- **excellence** refers to the professional standards in delivery of the content (i.e. outstanding talent, no complaints about standards, etc.)
- **originality and creativity** refer to the original content being delivered and the number of “landmark” releases
- **innovation** refers to unique and innovative ideas launched.

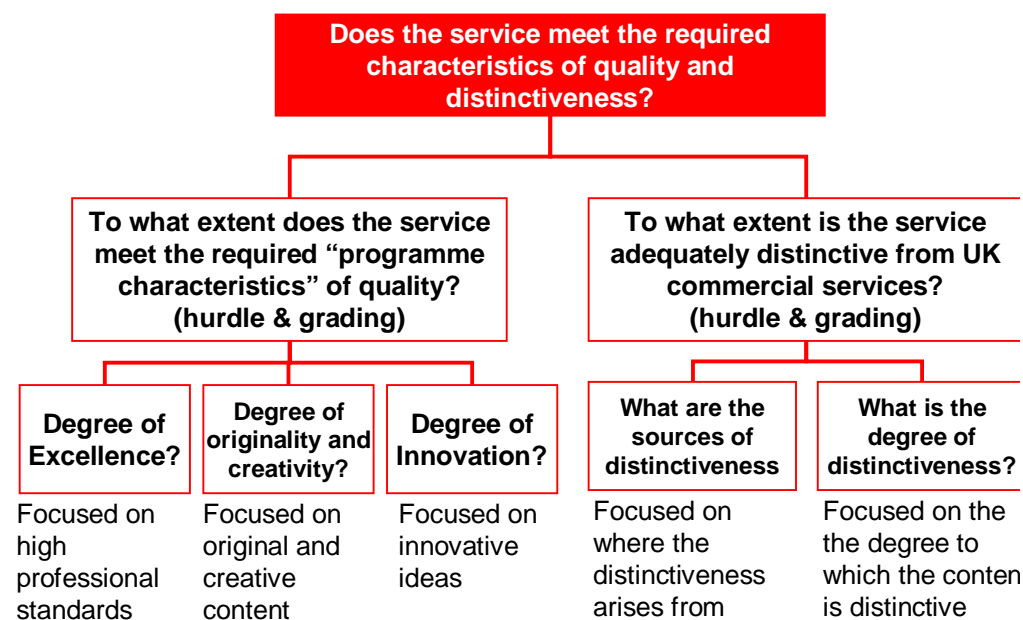
We have split **Distinctiveness** into “sources” and “degrees” of distinctiveness

- **sources of distinctiveness** refers to the where the distinctiveness arises from – i.e. genre mix, special content, special audience focus, etc.
- **degree of distinctiveness** identifies the extent to which the content is distinctive.

For both Quality and Distinctiveness, a service can be considered in two ways:

- **“hurdle”** – if a service is not considered adequately distinctive and of adequate quality, it would automatically fail
- **“grading”** – two services of equivalent merit in terms of impact, reach and cost might be separable in terms of their degree of distinctiveness and / or quality.

Quality and distinctiveness question breakdown



In order to answer the questions within the methodology steps, we have identified an “evidence set”, based on five distinct types of evidence

Evidence types to support the PV Framework

Evidence type	Characteristic	Description	Primary nature of evidence
A Audience usage data	Audience based	<ul style="list-style-type: none"> Standard industry metrics based on viewers usage <ul style="list-style-type: none"> – reach – audience share. 	<ul style="list-style-type: none"> Quantitative
B Audience research data		<ul style="list-style-type: none"> Data derived from audience surveys or research <ul style="list-style-type: none"> – quantitative – appreciation indices, favourability, approval and other information based on surveys – qualitative – opinions, perceptions, participation, and other information, based on qualitative research. 	<ul style="list-style-type: none"> Quantitative / Qualitative
C Content analysis	Internal data analysis	<ul style="list-style-type: none"> Quantitative and objective analysis of output <ul style="list-style-type: none"> – genre mix – scheduling (daytime, peak time) – original / regional / independent programming. 	<ul style="list-style-type: none"> Quantitative
D Cost analysis		<ul style="list-style-type: none"> Cost analysis based on standard metrics <ul style="list-style-type: none"> – total costs – cost per programming hour. 	<ul style="list-style-type: none"> Quantitative
E Expert opinion	Peer review	<ul style="list-style-type: none"> Independent expert analysis, based on content review, e.g. <ul style="list-style-type: none"> – awards – specially commissioned research. 	<ul style="list-style-type: none"> Qualitative

We have mapped the evidence types against the five steps of the PV Framework, according to their likely frequency of use

Frequency of use of evidence information types by Framework step

	1 Fit with BBC Purposes		2 Quality and Distinctiveness	3 Impact		4 Reach	5 Value for Money and Cost	
	Alignment with Purposes	Strategic positioning		Individual impact	Citizen impact		Cost	Value for money
A Audience usage data	Infrequently used	Frequently used	Not expected to be used	Infrequently used	Infrequently used	Expected to be used always	Not expected to be used	Frequently used
B Audience research data	Not expected to be used	Infrequently used	Frequently used	Expected to be used always	Expected to be used always	Infrequently used	Not expected to be used	Frequently used
C Content analysis	Infrequently used	Infrequently used	Expected to be used always	Not expected to be used	Not expected to be used	Not expected to be used	Infrequently used	Frequently used
D Cost analysis	Not expected to be used	Not expected to be used	Not expected to be used	Not expected to be used	Not expected to be used	Not expected to be used	Expected to be used always	Expected to be used always
E Expert opinion	Expected to be used always	Expected to be used always	Frequently used	Not expected to be used	Frequently used	Not expected to be used	Not expected to be used	Frequently used

■ Expected to be used always
 ■ Frequently used
 ■ Infrequently used
 Not expected to be used

We have also highlighted the likely quantitative and / or qualitative nature of the “evidence types” that are likely to inform each of the steps

Frequency of use of evidence information types by Framework step

	1 Fit with BBC Purposes		2 Quality and Distinctiveness	3 Impact		4 Reach	5 Value for Money and Cost	
	Alignment with Purposes	Strategic positioning		Individual impact	Citizen impact		Cost	Value for money
A Audience usage data	Quantitative	Quantitative		Quantitative	Quantitative	Quantitative		Quantitative
B Audience research data		Quantitative / qualitative	Quantitative / qualitative	Quantitative / Qualitative	Qualitative	Quantitative / qualitative		Quantitative / qualitative
C Content analysis	Quantitative	Quantitative	Quantitative				Quantitative	Quantitative
D Cost analysis							Quantitative	Quantitative
E Expert opinion	Qualitative	Qualitative	Qualitative		Qualitative			Qualitative

Expected to be used always
 Frequently used
 Infrequently used
 Not expected to be used

As an example, for Framework Step 2, we expect that, on most occasions, content analysis, expert opinion and audience research data will be the appropriate “evidence types”

Expected evidence examples and sources for Framework Step 2 (Quality and Distinctiveness)

Example

Primary question : **2** Does the service meet the required characteristics of quality and distinctiveness?

Secondary questions	Sub-category	Evidence type	Evidence examples	Example sources
To what extent does the service meet the required “programme characteristics” of quality (hurdle & grading)?	Excellence	C Content analysis	• Number of complaints about content standards	• BBC Internal / Ofcom
		B Audience research data	• Audience perception of impartiality / trustworthiness of the channel	• PBTS – Audience panel
		E Expert opinion	• Awarded talent (awards to professionals)	• Awards compilation
	Originality and creativity	C Content analysis	• Hours of new UK-originated programmes • Hours of independently produced content • Level of repeats • Number of new programme titles / landmark releases	• BBC Internal • BBC Internal • BBC Internal • BBC Internal
		E Expert opinion	• Numbers of awards	• Awards compilation
	Innovation	E Expert opinion	• Numbers of awards • Assessment of innovative programmes	• Awards compilation • External analysis
To what extent is the service adequately distinctive from the commercial services (hurdle & grading)?	Sources of distinctiveness	C Content analysis	• Analysis of content (peer review) e.g. – range of programmes – % of special content (i.e. news, religion, etc) – % of peak on non-mainstream genres	• BARB/BBC data
		E Expert opinion	• External analysis of content distinctiveness – programmes of distinction – overall distinctiveness	• External analysis
	Degree of distinctiveness	B Audience research data	• Audience perception of distinctiveness (quantitative/qualitative) • Audience feedback	• External quantitative / qualitative research • BBC Correspondence

4 Summary “Cold Test” result for CBBC

To inform our assessment of the robustness of the PVT, we have carried out a “cold test” of CBBC – defined for this purpose as the CBBC digital channel, along with its interactive and online elements

Introduction to the “cold test” of CBBC

Background

- As part of our review of the robustness of the PVT Methodology (as developed by BBC Strategy), we have undertaken a “cold test” of CBBC, an existing service. This document provides, as a worked example, our detailed “cold test” findings. This document, however, does not comment on our view of the robustness of the PVT – our accompanying report, “*PVT Robustness Assessment – Final Report, June 2004*”, addresses this.
- The “cold test” has been used to contribute to an assessment of the robustness of the PVT methodology – i.e. the “machinery” of the test – with a realistic worked example and should not be seen as providing a “real answer” for the Public Value generated by CBBC.
- The choice of an existing service, and CBBC in particular, was made, in part, because of the availability of information – critical in order to be able to focus, at this stage, on an assessment of the **robustness of the methodology**
- A “cold test” of an existing service enables the PVT to be trialled with realistic data and is a sensible “stepping stone” towards the use of the test on proposed new services. We recommend, however, that an additional “cold test” should be carried out on a proposed new service, in order to confront the different challenges this will present – notably, in terms of the need to commission bespoke research

Definition of “CBBC” for the purpose of the “cold test”

- The scope of “CBBC” for the “cold test” has been as follows:
 - the CBBC digital channel
 - its interactive platform
 - its online service
- We have not included in the definition of the service being tested the CBBC “zones” on BBC One and BBC Two, as these should be considered part of the remits of those two analogue channels
- In 2004, CBBC was independently reviewed by Professor Patrick Barwise as part of the review of the BBC’s digital television services. CBBC was given a relatively high net public value rating . We note that a “cold test” or a more controversial service would “stress-test” the methodology more intensely, but would also run the risk of deflecting the focus from the “machinery” to the “actual result”.

To inform our assessment of the robustness of the PVT, we have carried out a “cold test” of CBBC – defined for this purpose as the CBBC digital channel, along with its interactive and online elements (continued)

Introduction to the “cold test” of CBBC (continued)

Scope of the “cold test” review

- The PVT Methodology includes the Public Value and Market Impact (Economic Value and Crowding Out) assessments. This “cold test” has been used to test only the Public Value assessment (PV Methodology) – this addresses the public value created – for viewers / listeners / online users and society generally – from the use of the service.
- The PV Methodology, as defined in our Final Report, is based on:
 - five steps: (1) Fit with Purposes, (2) Quality and Distinctiveness, (3) Impact, (4) Reach, and (5) Value for Money and Cost
 - two assessment levels: (1) Service Assessment: informed by benchmarking with commercial services and relevant BBC services; and (2) a high level Alternative BBC investment assessment (Assessment of against alternative BBC investment options).
- This “cold test” focuses on the Service Assessment, since the Alternative BBC investment assessment – a new recommendation from our study – requires additional data / processes to be established.

Based on our “cold test” assessment of CBBC, we believe that CBBC adds *high public value* to licence fee payers and provides *good value for money*

CBBC “cold test” results summary

Service Assessment

- We believe CBBC adds **high public value** to licence fee payers, based on:
 - good fit with the BBC’s Purposes and Portfolio (i.e. other offerings for children)
 - high quality (awards won, new original and innovative programmes)
 - very distinctive output (mixed-genre, high UK production content)
 - reach of 18% amongst children in multichannel homes (14% of children overall)
 - high individual impact (licence fee payers’ “willingness to pay”, researched at £7.60 per year) and moderate citizen impact (**Note: bespoke further research concerning Citizen Value would be required for a “live test”**)
 - costs at a moderate level (£43m per year)
- We believe the service provides good value for money, in the light of our cost-benefit analysis
- We believe CBBC also provides **good value for money compared to other BBC digital television services**
 - our own analysis of CBBC and Patrick Barwise’s Independent review of the other BBC’s digital channels (CBeebies, BBC Three and Four), indicates that CBBC provides good value for money on a comparative basis with relevant / related BBC services

Alternative BBC Investment Assessment⁽¹⁾

- Not tested due to insufficient data at this stage. This is a new recommendation of our study and would require additional data / processes.

Note: (1) Assessment against alternative BBC Investment options - other proposed services at pre-pilot stage, incremental investments in existing services, or alternative approaches to attain the same results – e.g. using new platforms

Against the five steps of the PV methodology, we assess CBBC as: a “good fit” with the BBC’s purposes; of high quality and highly distinctive; moderate overall impact; 18% reach; and costs at a moderate level

CBBC “cold test” results summary – five steps

PVT step:	1 Fit with BBC Purposes	2 Quality and Distinctiveness	3 Impact	4 Reach	5 Value for Money and Cost
Overall evaluation:	 <ul style="list-style-type: none"> Good fit with BBC Purposes and Portfolio 	 <ul style="list-style-type: none"> High quality High distinctiveness 	 <ul style="list-style-type: none"> High individual impact Moderate citizen impact 	<ul style="list-style-type: none"> 18% reach amongst children in multichannel homes 14% reach of all children 	<ul style="list-style-type: none"> Cost: £43m / year Cost-benefit: <ul style="list-style-type: none"> - High Public Value (Gross PV less Cost) - Good Value for Money (Gross PV / Cost)
Summary	<p>Purpose alignment: CBBC addresses, to different degrees, all the BBC’s Public Purposes</p> <p>Strategic positioning: CBBC has a good fit with the BBC’s strategy and with its overall portfolio, by complementing BBC’s offer to children</p>	<p>Quality: CBBC is delivered with high quality, based on the number of new programme launches, its highly innovative content, and the number of awards won</p> <p>Distinctiveness: CBBC is of highly distinctive from the commercial sector, based on its mixed-genre, significant UK-produced, content output, focused on delivering against BBC’s Public Purposes</p>	<p>Individual impact: CBBC delivers high individual impact, based on its high overall approval and a willingness to pay by licence fee payers, researched at £7.60 per year</p> <p>Citizen impact: CBBC delivers moderate citizen impact, based on qualitative evidence from viewers. [Note: additional bespoke research would be necessary for a “live test” to provide further evidence concerning citizen impact]</p>	<p>Reach: The CBBC channel is widely available; it achieves 18% reach amongst children in multichannel homes – the 2nd biggest reach among the children’s channels, targeted at the same age group (reach of all children around 14%)</p>	<p>Cost: The service costs £43m per year. Compared to other relevant / related BBC services (e.g. CBeebies, BBC Three) it is delivered with moderate costs. CBBC’s with cost per viewer hour is £0.16 (great care should be taken with interpretation of CPVH⁽¹⁾);</p> <p>Public Value / Cost-benefit: CBBC adds high public value to licence fee payers, driven by its good fit with BBC’s purposes, high quality, high distinctiveness, moderate impact, 18% reach, and costs at a moderate level</p> <p>Value for money: CBBC channel, and its interactive and online services, deliver good value for money compared to other BBC digital television channels, based on our own analysis and Professor Patrick Barwise’s Independent Review</p>

Key to Fit with BBC Purposes:

Key to Quality and Distinctiveness and Impact:

 Very poor
  Poor
  Average
  Good
  Very good

 Very Low
  Low
  Moderate
  High
  Very High

note: (1) Cost per Viewer Hour metrics should be treated with caution – an appropriate CPVH level for a service depends on several aspects, including: the service’s remit, objectives, distinctiveness, reach and efficiency

Looking at Step 1 in more detail: in order to understand CBBC's fit with the BBC's purposes, we have broken down the analysis into two aspects: Purpose alignment and Strategic positioning

Breakdown of Step 1 – Fit with BBC Purposes



We believe that CBBC addresses, to different degrees, all the BBC’s Public Purposes⁽¹⁾ in relation to children in multichannel homes – who are less likely to rely solely on the analogue PSB channels for their viewing



Service definition

- The CBBC channel was launched in February 2002, as part of the replacement of BBC Choice and BBC Knowledge, following approval of the BBC’s proposals, subject to conditions, by the DCMS in 2001
- The channel targets children between 6 to 13 years old; it is available on all digital platforms and is supported by its interactive and online components

Targeted audience






- CBBC targets children in digital homes; they are critical because the five main PSB channels account for a lower proportion of children’s than adults’ viewing
- In multichannel homes, the majority of children’s content available is animation; the CBBC channel provides an alternative, by offering a mixed-genre output

Purposes addressed

- Through its mixed-genre content for children in multichannel (digital) homes, the CBBC channel addresses, to different degrees, all the BBC’s purposes

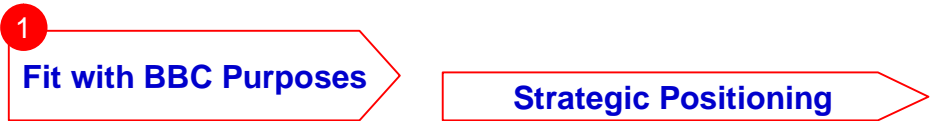
Note: (1) We have excluded the sixth Public Purpose, “Building Digital Britain”, as we are assuming, at present, this purpose should be part of the Market Impact assessment (Digital Impact)

Source: CBBC, Ofcom PSB Review Phase 1, Spectrum analysis

CBBC’s alignment with the BBC’s purposes		
Purpose	Assessment	Purpose focus
1. Sustaining citizenship and civil society	CBBC encourages children to understand and embrace the world around them – through programmes such as <i>Newsround</i> (children’s news), <i>Blue Peter</i> (variety magazine show) and <i>Short Change</i> (consumer rights magazine show).	
2. Stimulating creativity and cultural excellence	CBBC encourages children to find out more about their existing interests and inspires them to develop new ones. The channel is a platform for introducing and developing new talent and is also an important medium for developing new children’s formats and interactive services.	
3. Promoting education and learning	CBBC’s priority is on learning through fun; it provides this through programmes such as <i>Class TV</i> (Schools programming block), <i>XChange</i> (factual entertainment), and <i>Newsround</i> .	
4. Representing UK, its Nations, regions and communities	The CBBC Channel is committed to having around 75% of its originations from the UK. Its programmes aim to reflect the rich diversity of its audience; its presenters come from all over the UK and have a mixture of ethnic backgrounds.	
5. Bringing UK to the world and the world to the UK	CBBC offers a wide range of content, providing a window to cultures and environments from across the globe, through programmes such as <i>Newsround</i> , <i>Blue Peter</i> and <i>Serious</i> (a programme that challenges groups of children who are taken to extreme locations such as the desert and the Arctic).	

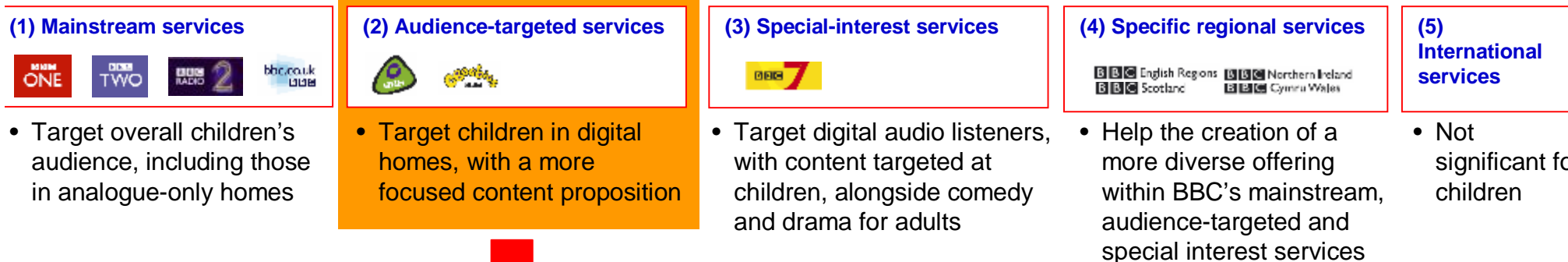
Purpose focus:  Very Good  Very Poor

We believe that CBBC has a *good* fit with the BBC’s strategy and with its overall portfolio, by complementing the BBC’s other propositions for children, who are a “hard-to-reach” audience



BBC’s children-focused strategy

- To achieve its objective of reaching children, the BBC deploys 4 of its 5 different types of service: mainstream services, audience-targeted services, special-interest services and, to a certain extent, regional services
- The viewing of children is very fragmented – as they are a “hard-to-reach” audience, an audience-targeted service seems an appropriate way to extend / maintain the reach achieved on the BBC’s mainstream services



CBBC in the context of overall BBC proposition for children

- CBBC has a good fit with the BBC’s children-focused strategy and complements well the other BBC’s offerings for children
 - As an “audience-targeted service”, the CBBC channel has been tailored to deliver the BBC’s Public Purposes to children in digital homes
 - The focused online content, available through BBCi, makes an important contribution to BBC’s overall children’s proposition

Source: BBC Building Public Value, Spectrum analysis

Looking at Step 2 in more detail: in order to understand CBBC's quality and distinctiveness, we have analysed each of these, in turn, separately

Breakdown of Step 2 – Quality and distinctiveness



We believe that CBBC is delivered with *high quality*, based on the number of new programme launches in 2004/5, its highly innovative content (original and creative / innovative), and the number of awards won (excellence)

Quality and Distinctiveness

Quality

Original and creative / Innovative programmes

The channel invests heavily in new origination; in 2004/5, it has premiered several new programmes, such as *Shoebox Zoo*, *Bamzooki*, *Stupid*, *Fungus The Bogeyman*, *The Raven*, and *Serious Artic*

In the last year, CBBC has introduced innovative programmes, e.g.

- *Bamzooki* – introduced in 2004 - was the first cross-media children's TV show specially produced for CBBC with online, games and TV converging into a true 'lean-forward, lean-back' experience

Excellence

The excellence of the output on CBBC is widely recognised externally and has been reflected, since its creation, in the high number of awards won

The channel has been subject to some complaints regarding its programmes, both through the 'BBC Complaints' unit and Ofcom; we believe, however, the issues raised by these complaints to be relatively marginal

Awards (2004/5)

Date	Awarding Body	Award Won	Programme / Website
Mar-04	Broadcast Awards 2004	N/a	Dick & Dom in Da Bungalow
Nov-04	BAFTA Childrens	Drama	Featherboy
Nov-04	BAFTA Childrens	Entertainment	Dick & Dom in Da Bungalow
Nov-04	BAFTA Childrens	Factual	Serious Desert
Nov-04	BAFTA Childrens	Presenter	Richard McCourt and Dominic Wood
Jan-05	Broadcast Awards	Best Children's Programme	Tracy Beaker Movie of Me
Mar-05	Indie Awards (PACT)	Best Children's Programme	Fungus The Bogeyman
Mar-05	Indie Awards (PACT)	Best Interactive Media Programme	Smile
Mar-05	Indie Awards (PACT)	Best Animation	Pingu
Mar-05	RTS Programme Awards 2004	Children's Drama	Tracy Beaker Movie of Me

Source: CBBC, Ofcom, PBTS, Spectrum analysis

We believe that CBBC is *highly distinctive* from the commercial sector, based on its mixed-genre, UK-produced output, focused on delivering against the BBC's Public Purposes; this is recognised by experts and the audience



Sources of distinctiveness

CBBC's main source of distinctiveness arises from its UK-produced, mixed-genre content – not available, to the same extent, on the other children's channels, targeted at the same age group

Industry experts also highlight CBBC's mixed-genre, UK-produced content, as well as the lack of advertising, as key sources of distinctiveness

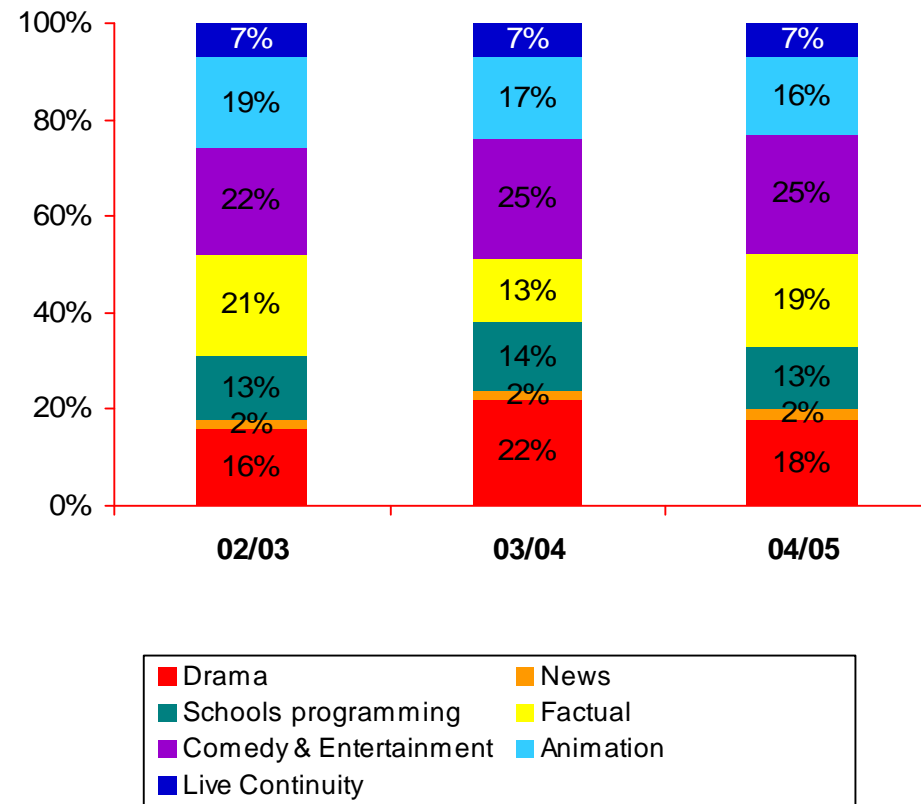
CBBC programmes provide stimulating output for children, across multiple media, offering high profile content, focused on delivering against the BBC's Public Purposes

Degree of distinctiveness

Complementary online services similar to CBBC's are now being developed by commercial television services; they see it as an increasingly important part of their children's propositions

Based on qualitative evidence, audiences appear to perceive CBBC's content as distinctive from commercial services, although they still believe that it is important for CBBC to be entertaining

CBBC Genre mix

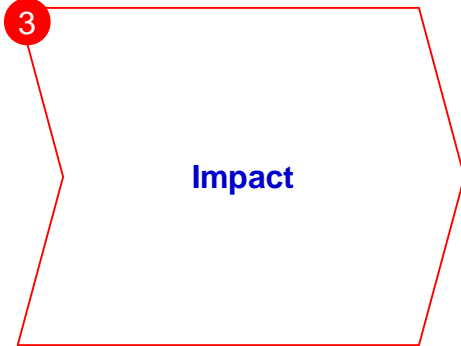


Source: CBBC, Oliver & Ohlbaum Associates (A Report for the BBC's Submission to the DCMS review) – March 2004, Spectrum analysis

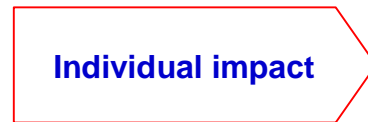
Looking at Step 3 in more detail: in order to understand CBBC's impact, we have analysed both Individual Impact and Citizen Impact

Breakdown of Step 3 – Impact

Step 3



Step 3 - Categories



Step 3 – Sub-categories

- Appreciation / approval
- Consumer value

- Recognition
- Citizen value

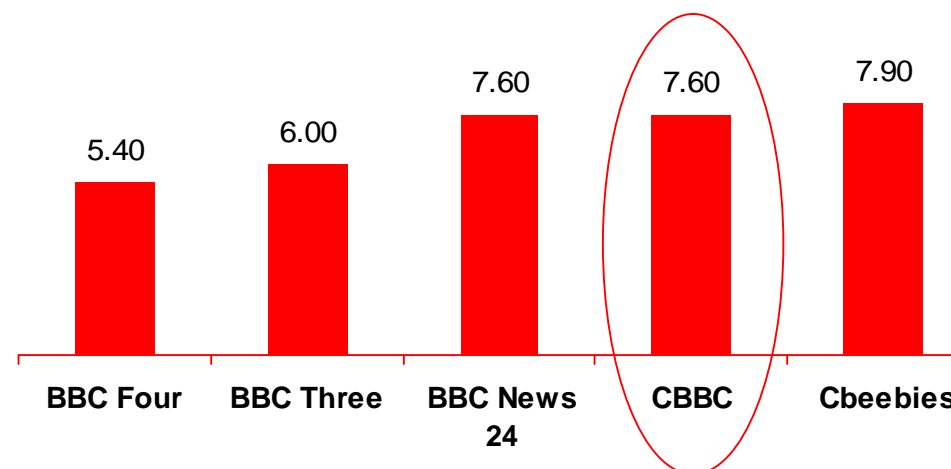
We believe that CBBC delivers a *high individual impact*, based on its high overall approval and the “willingness to pay” of licence fee payers, which research estimates at £7.60 per year



Consumer willingness to pay for the digital channels (£ per year)

Appreciation / approval

- The CBBC channel has an overall approval amongst adults slightly above the average of other commercial and BBC channels; approval increases significantly if only parents with a child at school are taken into account
- Individual impact can also be measured in terms of e-mails and letters to CBBC, which have been growing alongside the increase in the reach and interest of its audience
- Audience research amongst children reveals a high level of appreciation, but additional evidence – to be provided either by the new BBC Audience Reaction Panel or bespoke research – is required for a more robust assertion



Consumer value

- In assessing “willingness to pay” for the BBC digital channels, the CBBC Channel was valued as one of the highest – at £7.60 per year, second only to Cbeebies (£7.90)
- The same study indicated that “willingness to pay” for BBC’s online services stood at £12 per year, of which the CBBC’s online service would account for a small proportion

Source: (1) Measuring the Value of the BBC (A report by the BBC and Human Capital) PBTs, Quest, BBC



We believe that CBBC delivers moderate citizen impact, based on evidence⁽¹⁾ from qualitative viewer research and "willingness to pay" research – though WTP must be treated with particular caution for Citizen Impact



Recognition

We believe the children’s audience recognises CBBC’s delivery against the BBC’s Public Purposes, based on unprompted feedback and available qualitative research

Citizen value

The study, which assessed consumer “willingness to pay”, also revealed an additional citizen “willingness to pay” of £1.70 per year for the channel – we consider, however, that this data should be treated with caution

CBBC’s campaigns are closely related to the BBC’s purposes; they have had external impact – e.g. the *Blue Peter* Book Awards, which fostered the creation of book clubs across the UK and may have increased demand for books

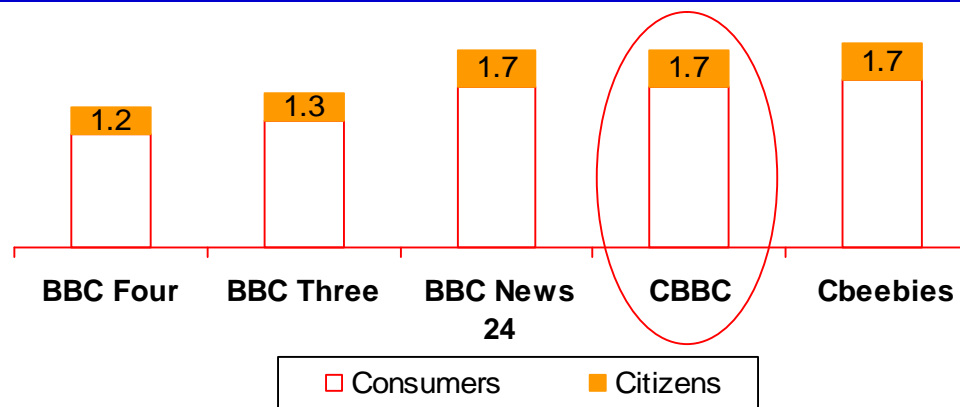
For a “live test”, additional research – using the new Audience Reaction Panel and specially commissioned research – would be needed to provide better evidence concerning “Citizen Value”

Evidence qualitative research⁽³⁾

To be replaced in live test by additional bespoke research

- Evidence from qualitative research:
 - “Newsround’s good cos it’s made for children”. Harriet, 7, Guildford
 - “It [CBBC] is very educational because like when you watch some things it tells you lessons about what you can learn when living – the Nelly Nut Show travels back in time and tells you things about it. So yes, I think it’s really quite educational and a really good thing for children to be watching.” Emma, aged 12. Scotland

Citizen willingness to pay for the digital channels (£ per year)

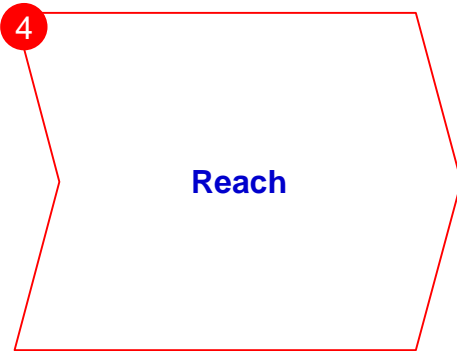


Note: (1) Further bespoke research of citizen impact would be necessary for a “live test” of CBBC
Source: (2) Measuring the Value of the BBC (A report by the BBC and Human Capital)
 (3) BBC’s submission to DCMS Independent Review (March/2004), based on Vox Pops International, December 2003

Looking at Step 4 in more detail: in order to understand CBBC's reach, we have analysed both availability and reach & usage

Breakdown of Step 4 – Reach

Step 4



Step 4 - Categories

- Availability
- Reach and usage

The CBBC channel is widely available; it achieves 18% reach amongst children in multichannel homes – the 2nd biggest reach amongst the children’s channels, targeted at the same age group

4 **Reach**

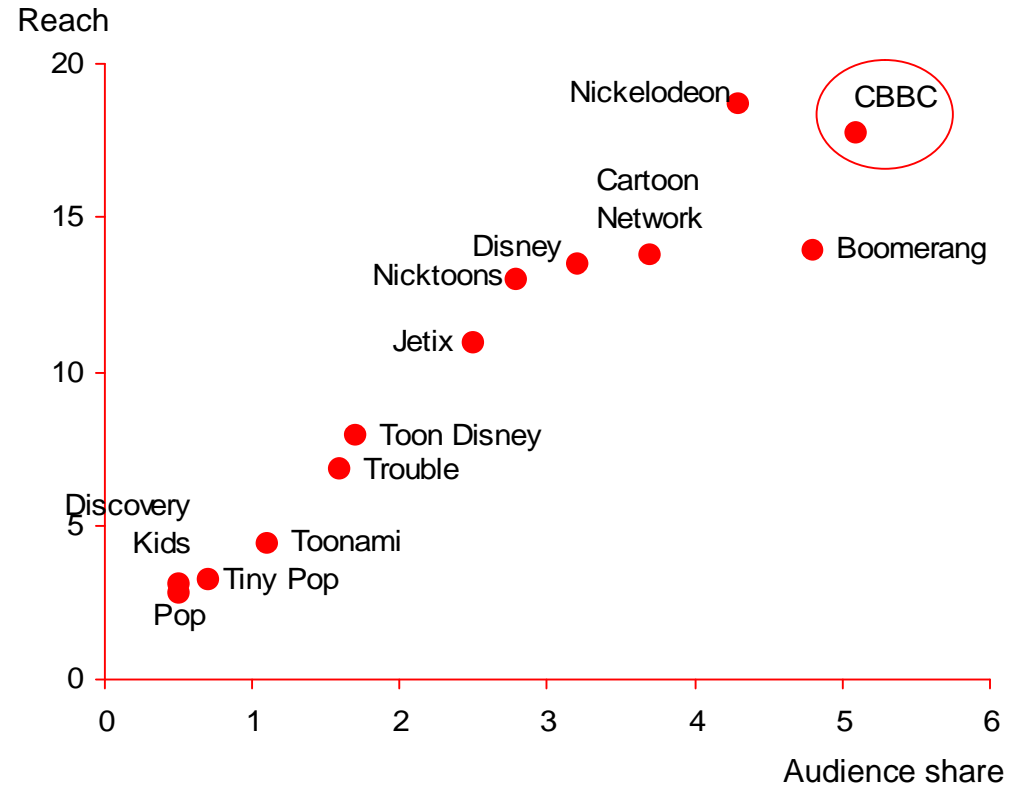
Availability

- The CBBC channel is available to around 77% of children aged 4 to 15 years old, whilst around 90% of children between 7 and 14 years old have access to the online content

Reach and usage

- Since 2002, CBBC’s reach has grown significantly and now stands at 18% of the children in multichannel homes, or around 14% of all children – the 2nd biggest reach amongst the children’s channels targeted at the same age group
- 2004 audience share of 5.1% is the highest of any children’s channels, targeted at the same age group
- The number of online users to the CBBC website has reached 3 million monthly unique users; it is currently one of the fastest growing services within BBC Online

Reach (% - 15min) x Audience share (%) – 2004/2005

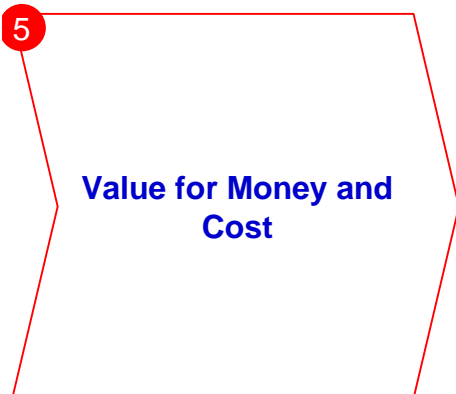


Source: BARB, BRMB, BBC

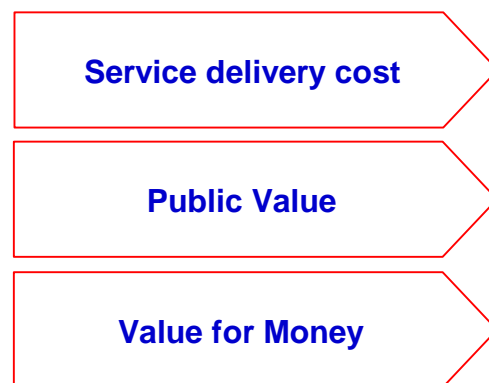
Looking at Step 5 in more detail: in order to understand CBBC's Value for Money and Cost, we have broken down the analysis into: Service delivery cost, Public Value, and Value for Money

Breakdown of Step 5 – Value for Money and Cost

Step 5



Step 5 - Categories



Step 5 – Sub-categories

- Absolute cost of provision
- Cost benchmarking

- Cost-benefit assessment (Gross public value less costs of provision)

- Benchmarking against other BBC digital television services

The service costs £43m per year to deliver – it has a moderate cost base when compared with other BBC digital channels, such as BBC Three and CBeebies



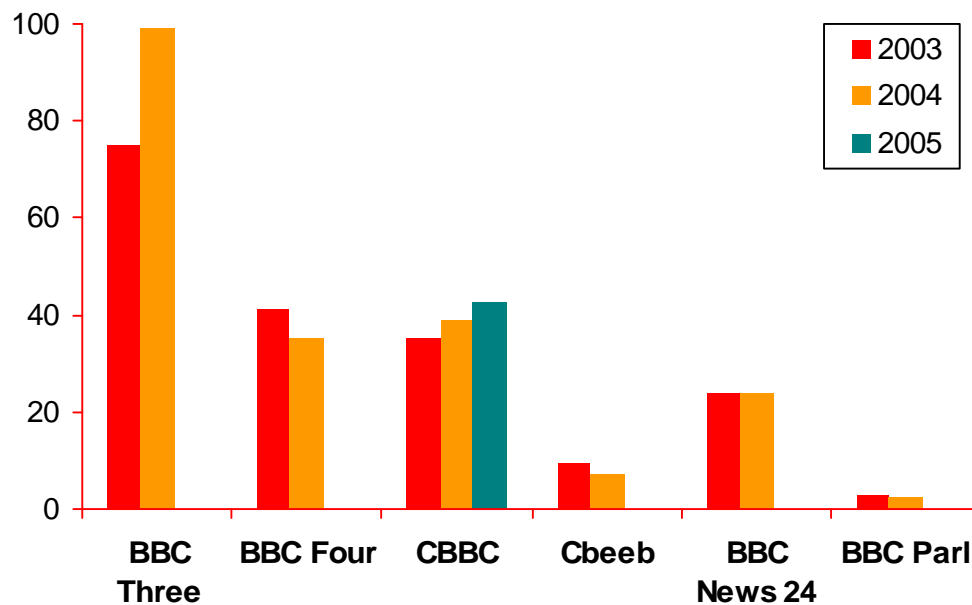
Absolute cost of provision

- In absolute terms, the CBBC channel costs £43m per year – around 1.5% of the total licence fee.

Cost benchmarking

- CBBC’s service delivery costs are higher than CBeebies, BBC News 24, and BBC Parliament, similar to BBC Four, and lower than BBC Three
- We have had no access to competitors’ costs, but we believe they tend to be lower, driven by the higher proportion in their schedules acquired rather than originated programming
- Cost per viewer hour⁽¹⁾ for CBBC in 2004/5 was £0.16 according to CBBC information. Based on the Quarterly Performance Report: 4Q04, the quarterly cost per viewer hour for the other channels has varied significantly:
 - Cbeebies – around £0.02
 - BBC Three – between £0.25 and £0.50
 - BBC Four – between £0.25 and £0.40
 - CBBC – between £0.10 and £0.25
- Comparing the numbers, CBBC is significantly higher than Cbeebies, but lower than BBC Three and BBC Four

Service delivery cost of CBBC, benchmarked against other BBC digital television services (£ mn – year-end March)



Note: (1) Includes a small portion of pre-school content on BBC One
Source: BBC, BBC Annual Report

We believe that CBBC adds *high public value* to licence fee payers, driven by its “good fit” with BBC’s purposes, high quality, considerable distinctiveness, moderate impact, 18% reach, and costs at moderate level



Cost-benefit assessment (Gross public value less costs of provision)

Benefits

- In summary, our analysis indicates that CBBC adds **high gross public value** to licence fee payers, given that:
 - CBBC addresses, to different degrees, **all the BBC’s Public Purposes**
 - CBBC has a **good fit** with the BBC’s strategy and with its overall portfolio, by complementing the rest of the BBC’s offer to children
 - CBBC is delivered with **high quality**, based on the number of new programme launches, and its highly innovative content, and the number of awards won
 - CBBC is of **highly distinctive** from the commercial sector, based on its mixed-genre, UK-produced output, focused on delivering against BBC’s Public Purposes
 - CBBC delivers **high individual impact**, based on its high overall approval and the “willingness to pay” by licence fee payers, researched at £7.60 per year
 - CBBC delivers **moderate citizen impact**, based on qualitative evidence from viewers. [Note: additional specific research is recommended for a “live test” to provide better evidence to evaluate the citizen impact more thoroughly]
 - The CBBC channel is widely available; it achieves **18% reach** amongst children in multichannel homes – the 2nd biggest reach amongst the children’s channels, targeted at the same age group (reach of all children around 14%).

Cost

- Cost: The service costs £43m per year. Compared to other relevant / related BBC services (e.g. CBeebies, BBC Three), it is delivered at moderate costs. CBBC’s cost per viewer hour is £0.16 (great care should be taken with interpretation of CPVH⁽¹⁾).

Cost-benefit analysis

- Based on our cost-benefit analysis, CBBC delivers **high public value** (Gross PV less cost)
- The service also provides a **good value for money** in terms of its benefits relative to its costs

ote: (1) Cost per Viewer Hour metrics should be treated with caution – an appropriate CPVH level for a service depends on several aspects, including: the service’s remit, objectives, distinctiveness, reach and efficiency

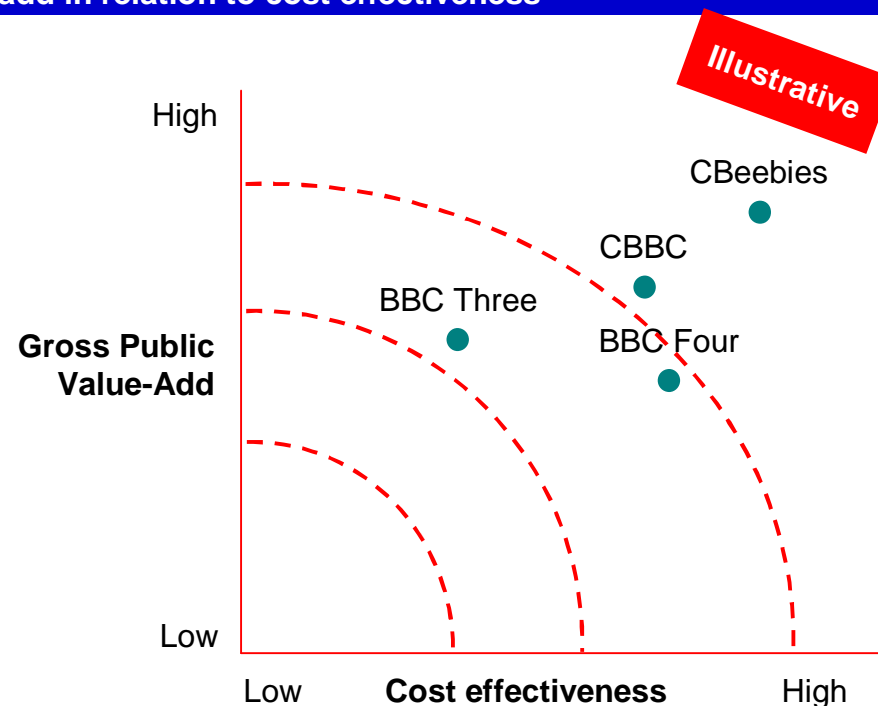
We conclude that the CBBC channel, and its interactive and online services, deliver *good value for money* compared to other BBC digital television channels, based on Professor Patrick Barwise’s Independent Review



Benchmarking against other BBC digital television services

- In his independent review of the BBC digital channels – CBeebies, CBBC, BBC Three and BBC Four – Professor Patrick Barwise ranked the channels in terms of value for money as follows:
 - CBeebies was found to be delivering “excellent value for money”
 - CBBC was found to be delivering “very good value for money”
 - BBC Three and BBC Four were found to be delivering “fairly good value for money”
- In the light of our assessment that CBBC is contributing high public value, and the assessment of the other BBC channels by the independent review, we believe that CBBC delivers good value for money, relative to other BBC digital television services
- Due to commercial confidentiality and time constraints, cost benchmarks with commercial services have not been included for this study. For a “live test”, commercial benchmarking of this nature would be advisable to the extent that this can be based on reliable data.

Indicative view of BBC digital services’ Gross Public Value-add in relation to cost effectiveness



Source: Spectrum analysis based on Independent Review of BBC’s Digital Television Services

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