

**NATIONAL AUDIT OFFICE**

**REPORT BY THE  
COMPTROLLER AND  
AUDITOR GENERAL**

# **BBC World Service**

ORDERED BY  
THE HOUSE OF COMMONS  
TO BE PRINTED  
2 NOVEMBER 1995

**LONDON: HMSO  
HC 811 Session 1994–95  
Published 15 November 1995**

**£8.15 NET**

This report has been prepared under Section 6 of the National Audit Act, 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

*John Bourn*  
Comptroller and Auditor General

National Audit Office  
24 October 1995

The Comptroller and Auditor General is the head of the National Audit Office employing some 750 staff. He, and the NAO, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

---

# Contents

	Page
<b>Summary and conclusions</b>	<b>1</b>
<b>Part 1: Introduction</b>	<b>7</b>
<b>Part 2: Organisational developments since 1992</b>	<b>9</b>
<b>Part 3: Efficiency</b>	<b>15</b>
<b>Part 4: Capital programme and impact</b>	<b>28</b>
<b>Appendices</b>	
1 Matters raised by the National Audit Office and the Committee of Public Accounts in 1992	33
2 Key performance indicators	38

---

# Summary and conclusions

## 1 The BBC World Service aims to:

- disseminate comprehensive, in-depth and impartial news and information as a contribution to a better informed world;
- help meet worldwide needs for education and training, including the learning of English;
- provide an accurate and effective representation of British life, institutions and achievements; and
- independent of political partisanship and political pressures, to be always trusted, generally available and widely accessible, to enrich people's lives and to bring credit to Britain.

It has an estimated regular audience of 133 million and is considered to be the best known and most reliable of international radio broadcasters.

- ## 2 The World Service broadcasts for 1,458 hours on average a week: 895 hours of direct programmes in English and 41 other languages, and 563 hours of indirect programmes. The service is funded by grants-in-aid from Government - some £179 million in 1995-96, including the Monitoring service.
- ## 3 The Committee of Public Accounts last examined the management of the World Service in July 1992. This report examines the progress made in acting on the Committee's conclusions and subsequent developments.

## Relationship with the Foreign and Commonwealth Office

- ## 4 The Foreign and Commonwealth Office and the World Service have entered into a new broadcasting agreement which places their relationship on a more contractual basis with performance monitored on the basis of a set of agreed key performance indicators and targets.
- ## 5 The World Service's new regional structure has improved the opportunity for closer monitoring of activities and improved resource management. It has also facilitated a more effective dialogue with the Foreign and Commonwealth Office about their respective regional priorities.

## **Flexibility**

- 6 Greater flexibility in determining the languages and hours broadcast has enabled the World Service to plan and implement its broadcasting strategy more effectively but has placed a greater onus on it to demonstrate its efficiency and effectiveness.
- 7 Financial flexibility has brought potential advantages with the Service being able to transfer funding from operational to capital budgets; and to roll forward up to 10 per cent of unspent capital allocations at the end of the financial year. The World Service, however, has not made fully effective use of the facility and the unspent capital allocation has remained at a high level over the last four years.

## **Programme costs**

- 8 The total costs of running each broadcasting operation are now more fully known. This has engendered a more business-like approach to planning and resource utilisation decisions. Significant variations remain in the costs of a broadcast hour of language services - ranging from £254 (German) to £2,123 (Ukrainian). While there will always be variations, the World Service has completed a benchmarking exercise to identify standard levels of resource input and has set a common standard of working practices on which to build zero-based budgeting.
- 9 Substantial savings have been made on transmission costs as new transmitters have been introduced. Operational costs of running the transmitter sites have dropped by £2.5 million (10 per cent) since 1992. Transmitter utilisation has increased to 94 per cent at peak times, although the range of individual transmitter usage has widened. There are substantial differences in the costs of running individual transmitter sites, largely reflecting their location, size and age.

## **Overheads**

- 10 The World Service has made considerable progress in the allocation of overheads. By April 1996 it will have completed its programme of direct apportionment. This, together with the introduction of greater control over resource inputs, has led to a more business-like approach as managers have come to recognise the full cost of the services they are providing.

## **Shared services**

- 11 As the BBC corporately has improved its cost allocation arrangements, the charges to the World Service for shared services have increased although currently the Home Service is allowing a transitional rebate. The World Service

has a sound procedure for assessing the rebate but the National Audit Office considered that there was further scope for the World Service to examine the actual costs underlying the charges made.

## **Studios and studio managers**

- 12 Studio managers' productivity has increased by four percentage points and, partly as a consequence, studio utilisation has declined.

## **Staffing**

- 13 Since 1992 staff numbers employed by language services have continued, as planned, to increase while support services have generally decreased. There is, however, a lack of reliable and consistent data about staff numbers in the World Service. While the World Service knows how many staff are being paid, there is no central record to show full-time equivalents or the number of staff employed on individual language or support services. The Service said that while staff effort had always been closely monitored, the monitoring of staff numbers in a consistent manner had suffered from the recent re-organisation but that a new corporate human resources database was now in operation and that clearer definitions of staff categories were being produced allowing more easily auditable data.
- 14 Progress in introducing workload measurement has been slow. Following a feasibility study in 1993, the World Service gave responsibility for assessing staff levels to line management. Its benchmarking exercise (paragraph 8) should assist managers in their assessment of staff and programme resource requirements.

## **Efficiency review**

- 15 In 1992 the Service undertook an efficiency review which envisaged savings of £5.7 million over the period to 1995 and beyond. The Service subsequently embarked on a programme of market testing, contracting out and efficiency improvements; savings to date amount to £1.8 million.

## **Income**

- 16 Success in achieving revenue-earning and cost-recovery targets has been mixed. Revenue from income-generating activities has increased but trading results have, in some instances, deteriorated significantly. BBC English Trading, which produces English language training material, suffered losses of £2.3 million since 1990-91; significant restructuring took place with the loss of a number of management posts, and the business was transferred to BBC Worldwide Publishing in 1994. The Service said that its prime concern, when undertaking the transfer, had been to stem the loss borne by the

Grant-in-aid and to transfer the business to where the most appropriate management expertise existed. The precise terms of the transfer have not yet, however, been formally agreed and it seemed surprising to the National Audit Office that the business was passed to BBC Worldwide Publishing before the terms of the transfer were agreed.

## **Cash flow**

- 17 The World Service's procedures for identifying cash needs have improved substantially and the new cash flow and banking arrangements are working satisfactorily. The World Service would nevertheless benefit by increasing the rate of transfer of funds from World Service Television in order to secure a more timely settlement.

## **Audibility**

- 18 The £166 million ten-year audibility programme, completed in 1991, has had a significant impact on the transmission output capacity of the World Service, its audience share and the reliability of its signal. The programme has enhanced audibility in many parts of the world, though gaps still exist in the Indian sub-continent, where only 23 per cent of a large potential audience can receive an acceptable signal.

## **Capital programme**

- 19 Project appraisal procedures have improved considerably since 1992, with improvements in the quantification of benefits and the consideration of alternatives. The quality and completeness of individual appraisals, however, while generally improved, continued to vary.
- 20 There have been improvements in the number of projects completed on time and within budget, although not all key performance targets were met. An analysis of 18 capital projects revealed that, while the majority of objectives had been delivered, quantified financial savings were substantially less than originally envisaged.
- 21 One capital project (£0.8 million) brought forward from 1994-95 was paid for at the end of 1993-94, the purchase enabling the World Service to avoid repaying surplus capital funds and to release some of the 1994-95 budget for the Thailand transmitter project. The project appraisal did not quantify the potential costs and benefits to operational departments. The World Service told the National Audit Office that, although the capital sum exceeded its delegated authority limit, it had not sought approval in line with agreed procedures from the Foreign and Commonwealth Office because the purchase could have been divided into smaller projects below the approval limit. It nevertheless seemed to

the National Audit Office that these purchases constituted a single project in pursuit of a previously approved policy for increased desktop computerisation. In addition the equipment was, to an extent, bought in advance of need.

## Impact

- 22 An increased level of audience research, including greater use of qualitative indicators, has markedly improved the validity and timeliness of information on the World Service's impact. Results show that the World Service is rated of better quality by its listeners than competing stations are by their listeners.

## Conclusions

- 23 The National Audit Office consider that the World Service has improved its monitoring and management performance since 1992. It has made significant strides with the introduction of performance indicators, and the identification of full costs. The National Audit Office nevertheless consider that there is further scope to:
- manage the capital budget phasing more tightly, increasing the number of projects delivered on time and within budget, and making better use of the capital expenditure roll-forward facility;
  - reduce the cost of some language services by encouraging greater efficiency and the adoption of Production Best Practice guidelines;
  - investigate in more detail the reasonableness of the charges made by the Home Service and ensure that adequate information is provided to identify the actual costs underlying the charges made - for example, transmission costs and library services;
  - increase the rate of transfer of funds from World Service Television in order to secure a more timely settlement;
  - produce reliable and consistent data on staff numbers to ensure that line managers' decisions on resourcing represent Production Best Practice and are efficient;
  - reduce the cost of transmitting programmes by rationalising operating procedures and setting optimum staffing levels;
  - improve the return from revenue-earning and cost-recovery activities by developing realistic and achievable business plans and targets - whilst recognising that some activities provide useful support for broadcasting activities and may not be appropriate for full cost-recovery;
  - ensure that ownership is not transferred while the terms still require to be negotiated;

*continued ...*



- ensure that goods and services are not procured in advance of need and the arrangements covering bulk purchases are clarified sufficiently to ensure that delegated authority limits are observed; and
- support capital appraisals by incorporating realistic, quantifiable savings into project proposals wherever possible to demonstrate the potential benefits more clearly.

# Part 1: Introduction

1.1 The BBC World Service is a constituent part of the BBC and shares the general objectives of the Corporation which are defined in the Royal Charter, and the Licence and Agreement. It aims to produce credible, unbiased, reliable, accurate and balanced programmes of a high professional standard. Through such broadcasting it aims to:

- disseminate comprehensive, in-depth and impartial news and information as a contribution to a better informed world;
- help meet worldwide needs for education and training, including the learning of English; and
- provide an accurate and effective representation of British life, institutions and achievements.

Independent of political partisanship and commercial pressures, the World Service aims to be always trusted, generally available and widely accessible, to enrich people's lives and to bring credit to Britain.

1.2 The World Service is funded by Government grants-in-aid on the basis of a triennial settlement, currently set at £533 million for 1994-95 to 1996-97 (Figure 1). In April 1995 its direct broadcasting hours were 896 a week: 223 in English, 88 in English language training and 585 in 41 vernacular language services. Transmissions for indirect broadcasting - the rebroadcasting of World Service programmes - amounted to a further 563 hours.

**Figure 1: Triennium agreement 1994-95 to 1996-97**

	1994-95	1995-96	1996-97	Total
	£m	£m	£m	£m
Broadcasting operating	132.9	135.6	135.6	404.1
Broadcasting capital	24.0	24.5	24.5	73.0
BBC Monitoring operating	14.9	15.2	15.2	45.3
BBC Monitoring capital	3.4	3.5	3.5	10.4
<b>TOTAL</b>	<b>175.2</b>	<b>178.8</b>	<b>178.8</b>	<b>532.8</b>

Source: World Service Corporate Plan

## National Audit Office 1992 review

1.3 In June 1992 the National Audit Office reported on the Management of the BBC World Service (HC29 of Session 1992-93). The National Audit Office then found that the World Service had a generally satisfactory system of resource planning, financial management and control but identified within this

framework some areas where improvements could be made. The former Committee of Public Accounts took evidence from the Foreign and Commonwealth Office and the World Service in July 1992. Their Fifteenth Report of Session 1992-93 (HC108) made a number of recommendations designed to improve the management of the World Service (Appendix 1).

- 1.4 This report considers the progress made in implementing those recommendations and significant areas of subsequent development. It focuses on:
- changes in the relationship with the Foreign and Commonwealth Office, notably the effects of increased flexibility to vary output and developments in performance measurement (Part 2);
  - managerial developments affecting efficiency - cost allocation, staffing, market testing, revenue earning and cash-flow management (Part 3); and
  - measures to improve effectiveness and impact - the capital expenditure and audibility programmes (Part 4).
- 1.5 The National Audit Office did not examine the Monitoring service, a separate part of the World Service funded by the Foreign and Commonwealth Office which monitors public broadcasts and news agencies around the world. The Home Service and Worldwide Television are not funded by the grant-in-aid and were not examined, except in so far as was necessary to establish that no cross-subsidy existed.

## Part 2: Organisational developments since 1992

### Contractual relationship with the Foreign and Commonwealth Office

- 2.1 When the National Audit Office last examined the relationship between the Foreign and Commonwealth Office and the World Service, the triennial funding was linked to a “prescription” arrangement. Under this, the Foreign and Commonwealth Office prescribed the languages and number of hours which should be broadcast. The Committee of Public Accounts recommended in 1992 (Appendix 1, issue 1) that this relationship be put on a more contractual basis.
- 2.2 Discussions on this issue between the Foreign and Commonwealth Office and the World Service started in June 1993 and agreement was reached early in 1994. The arrangements now in place revolve around four documents: the broadcasting agreement, the financial memorandum, the triennium settlement and the triennium corporate plan. The new broadcasting agreement states that a more contractual relationship has been agreed between the Foreign Office and the World Service. The corporate plan sets out the strategy to be implemented to achieve an effective broadcasting service and details the range of services to be provided.

### Developments in performance measurement

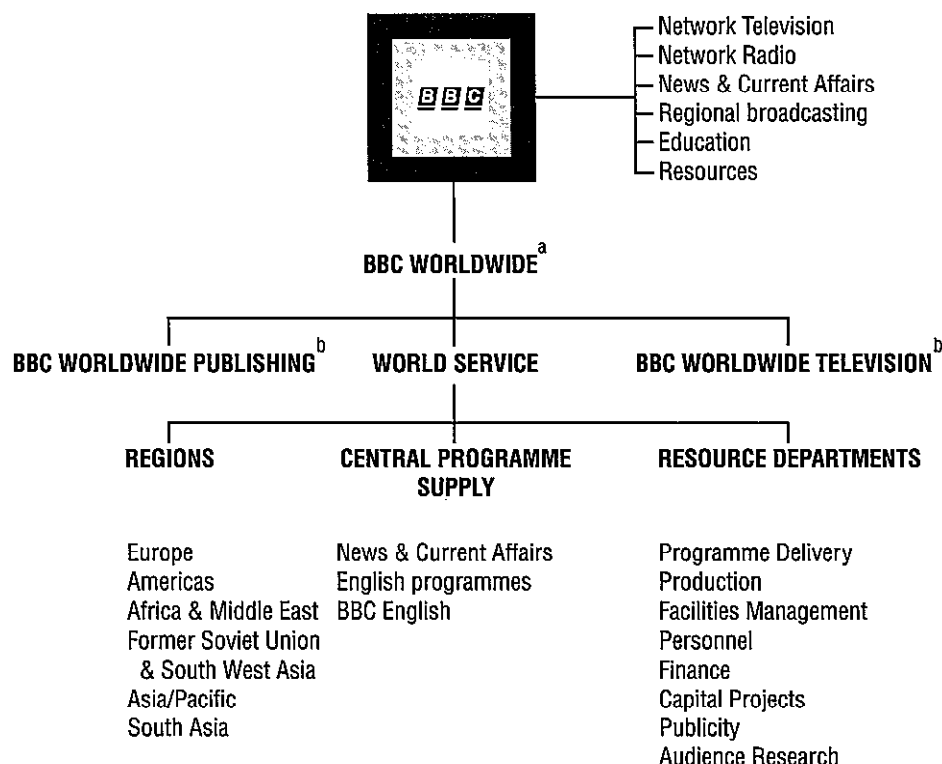
- 2.3 The broadcasting agreement provides for a system of performance measurement based on the principles of the Financial Management Initiative using performance indicators to measure progress towards the achievement of agreed objectives and targets. Indicators used include audibility, audience size, targeted audience, programme quality, staff numbers and costs. Agreed objectives and targets from 1992-93 and performance against them are shown at Appendix 2.

### Regionalisation

- 2.4 In the face of increasing competition, particularly with the growth of satellite radio and television and the threat of declining audiences, the BBC undertook a review of all their overseas activities to produce a new strategy and to provide a basis for restructuring radio services to promote closer co-operation with World Service Television. The review, completed in 1993, recommended bringing together, under a new organisation entitled BBC Worldwide, BBC World Service radio and television and the sales activities of the BBC as a whole.

- 2.5 In April 1994 the World Service carried out an internal restructuring, reorganising itself according to the regions to which it broadcasts (Figure 2), rather than on the previous basis of the 41 vernacular services. The aim of this restructuring was to enable the World Service to target its broadcasts to different audiences more effectively.

**Figure 2: Organisational chart of the BBC**



<sup>a</sup> There is also a publication of the same name

<sup>b</sup> Self-financing/commercially funded

- 2.6 As a result of regionalisation the World Service has reassessed its regional broadcasting priorities and has had discussions with the Foreign and Commonwealth Office to ensure that respective priority areas match as far as possible.

## Broadcasting hours

- 2.7 The Committee of Public Accounts considered that the Foreign and Commonwealth Office should provide the World Service with greater flexibility in determining its broadcasting hours, within the limits of agreed funding (Appendix 1, issue 1).

- 2.8 Following the 1994-97 triennium negotiations, the two parties implemented a new agreement which allows the World Service more flexibility but places greater emphasis on it demonstrating its efficiency and effectiveness. The World Service determines the languages and varies the broadcasting hours itself within the annual funding available under the triennium agreement; the differences, as against the previous arrangements, are illustrated in Figure 3.

**Figure 3: Changes in arrangements for determining funding, languages and hours broadcast**

	Previous arrangements	Current arrangements
<b>Funding</b>	Triennial funding negotiations based on World Service priority based budgeting employed to determine funding required.	Triennial funding negotiations based on the World Service's assessment of the requirement of all production and language services. Business units, including regional vernacular language services draw up business plans to determine funding levels.
<b>Languages and hours</b>	Annual prescription of languages and hours broadcast determined by Foreign and Commonwealth Office in consultation with World Service	World Service given the flexibility to determine the languages and hours broadcast, provided it can be achieved within existing funding levels. In return the World Service has to provide greater accountability for its performance against agreed targets.
<b>Review of Performance</b>	A three-year rolling programme of prescription reviews of all output services to assess the broadcasting effectiveness and cost of service.	Six regional services and the English language service reviewed at joint Foreign and Commonwealth Office/World Service meetings scheduled over the next three years. Meetings attended by senior staff where priority is given to discussing objectives, achievements and future strategy.

- 2.9 Since 1992 the number of direct hours broadcast weekly has increased from 818 to 895 (nine per cent), while rebroadcasting hours have increased tenfold, from 56 hours to 563 (Figure 4). Additional vernacular services have been introduced - most recently in 1995 in Azeri and Uzbek - while broadcasts in Portuguese to Europe and the 24-hour satellite stream in German were

**Figure 4: Changes in hours broadcast, 1992 to 1995**

	Jan 92	Apr 92	Apr 93	Apr 94	Apr 95
	hrs	hrs	hrs	hrs	hrs
Direct	818	818	873	870	922
Indirect	56	199	336	377	432
<b>TOTAL</b>	<b>874</b>	<b>1,017</b>	<b>1,209</b>	<b>1,247</b>	<b>1,354</b>

discontinued in December 1994 and April 1995 respectively. Increased flexibility has also allowed the World Service to react quickly to broadcast additional language services for short periods to cover significant developments in particular regions. Recent examples include the broadcasting in Kinyarwanda and Telegu in 1994 to provide up-to-date information on major political developments, such as elections or the death of important politicians.

## **Financial flexibility**

- 2.10 The World Service has the facility to carry forward up to 10 per cent of its capital budget at the end of each year; this is to enable it to plan its capital projects more effectively and to provide more ready finance when end-of-year slippages occur in its major programmes.
- 2.11 This roll-forward facility is double that normally available to government departments and non-departmental public bodies. The World Service considered that it needed the full 10 per cent to enable it to manage its capital programme efficiently - in particular to counter the problems involved in planning and implementing major long-term projects overseas (for example, the Thailand and Oman transmitter projects), where the Service considered that distance and local conditions made planning within annual cycles difficult. The Treasury have recently reviewed the facility and have proposed that the 10 per cent can continue for the planned life of the Thailand project - up to 1997-98 - and thereafter revert to the normal 5 per cent.
- 2.12 The National Audit Office found that, while the World Service had enjoyed the greater flexibility of being able to roll-forward up to 10 per cent of capital funding, it had not tightened its budgetary phasing sufficiently to ensure that projects are delivered on time and cost so that rolled forward resources can be deployed only in respect of major project slippages. It has used most of this roll-over facility every year (Figure 5 overleaf).
- 2.13 The Foreign and Commonwealth Office told the National Audit Office that the delay and uncertainty over the decisions on the future of the relay station on Masirah Island (Oman) were to a great extent the original reasons for the problems over the effective use of the roll-over facility. The World Service also told the National Audit Office that delays in securing agreement to the Thailand transmitter project had significantly contributed to the need for the roll-forward of funds in 1993-94.
- 2.14 In the case of the Oman transmitter station, the Foreign Office and the World Service agreed in 1990 that more powerful transmitters should be installed. However objections from the Royal Air Force of Oman caused these plans to be shelved. Preliminary conclusions to relocate the transmitter site on the mainland were reached in 1992, but discussions were suspended in 1994 pending the outcome of the capital review (paragraph 4.16). These delays meant that the original £14 million provision for this project could not be used in the 1991-94 triennium.

**Figure 5: Use of roll-forward facility 1990-91 to 1994-95**

	1990-91	1991-92	1992-93	1993-94	1994-95
	£m	£m	£m	£m	£m
Brought forward from previous year	2.8	not taken	3.1 <sup>b</sup>	2.6	2.8
Capital grants:					
Broadcasting	26.9	26.1	23.1	24.1	23.9
Monitoring	2.9	4.1	4.8	3.4	3.4
Total provisions available	32.6	30.2	31.0	30.1	30.1
Capital expenditure:					
Broadcasting	27.7	23.8	23.3	23.2	24.0
Monitoring	2.0	3.6	5.1	4.1	3.1
	29.7	27.4	28.4	27.3	27.1
Capital underspend (total provision less expenditure)	2.9	2.8	2.6	2.8	3.0
Roll-forward	1.2 <sup>a</sup>	3.0 <sup>b</sup>	2.6	2.8	3.0
Proportion of total capital provision	3.6%	10.0%	8.4%	9.1%	10.0%

<sup>a</sup> Roll-forward limited to the total underspend on the whole grant-in-aid, ie including current expenditure.

<sup>b</sup> Roll-forward calculated as 10% of the total capital provision available (£30.2m) for 1991-92 plus 10% of the sum available for roll-forward from 1990-91 (but not taken-up at the time).

Source: Foreign and Commonwealth Office

- 2.15 In the Thailand transmitter case, the World Service and the Foreign Commonwealth Office reached agreement with the Thailand Government in June 1992. Preliminary site investigations were carried out and Treasury approval sought. The Treasury were unwilling to give final approval until a full site survey had been completed and estimated costs were more reliable; to enable a site survey to proceed, however, they agreed to an advance of £3.2 million to the Thailand Government for a proposed National Institute for Broadcast Training, which was to be part of the deal. On completion of this survey and the preparation of invitations to tender, full Treasury approval was given in June 1994.
- 2.16 The World Service is able, with the specific agreement of the Foreign and Commonwealth Office, to apply funds provided for operating costs to capital projects for both broadcasting and monitoring activities. This is to encourage greater efficiency by making more flexible provision for capital projects designed to produce cost savings in the longer term. In October 1994 the Foreign and Commonwealth Office encouraged the World Service to take advantage of this facility to transfer funds from revenue to capital, expecting this would provide further opportunity for savings to be realised. The Service has never sought to use this facility, however, because of higher priority demands on the revenue budget.

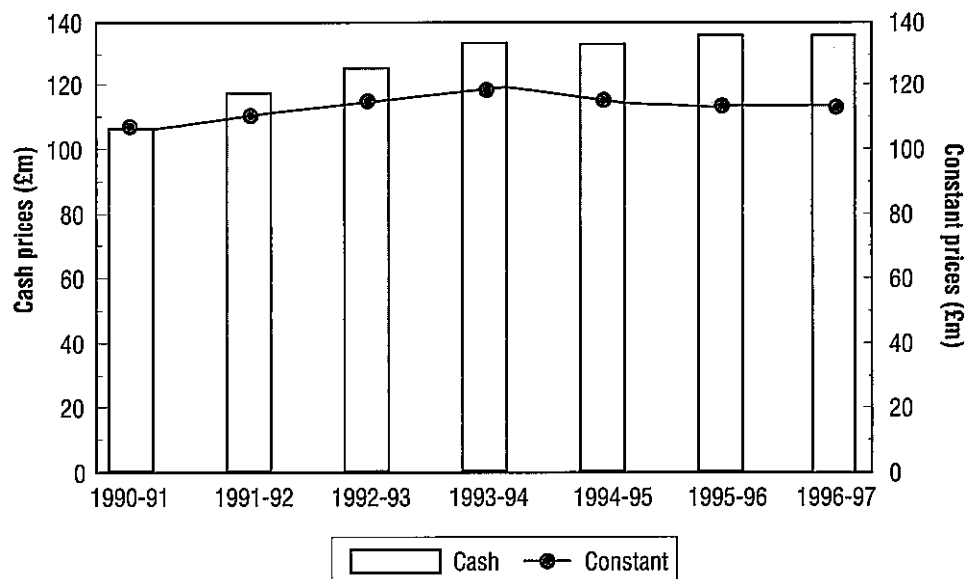


- 2.17 The World Service is keen to explore with the Foreign and Commonwealth Office the implications of extending financial flexibility to allow transfers from capital to operating costs and to be able to do so between years within the triennium settlement. The World Service is not permitted to make transfers from its capital budget to finance operating costs.
- 2.18 On transfers between triennial years, such an arrangement would pose difficulties for the Foreign and Commonwealth Office, which is bound by annuality rules in providing the grant-in-aid. Under these rules the sums authorised by Parliament are available only in the financial year for which they are appropriated. While the World Service has fully used the flexibility allowed in its cash balance (paragraph 3.38), it has yet to use all the flexibility currently available to transfer revenue funds to capital.
- 2.19 In July 1995 the Government published a White Paper "Better Accounting for the Taxpayer's Money" in which it detailed its proposals to introduce resource accounting and budgeting. Under these arrangements more focus will be given to resources consumed, as well as cash spent, and greater emphasis will be placed on outputs and the achievement of aims and objectives. The extent to which these changes might affect the annuality rules remains to be seen: the Government believes that Parliament should not give up the ability to vote cash for departments though precisely how this would be exercised has yet to be determined.

## Part 3: Efficiency

- 3.1 In 1992 the Committee of Public Accounts commented on cost allocation, staffing, revenue earning and cash-flow management (Appendix 1). These issues are updated below.
- 3.2 In the five years 1990-91 to 1994-95 the cost of running the World Service (excluding capital costs) increased by 7.5 per cent in real terms (Figure 6). During this period, broadcast hours rose by 59 per cent. There will be a reduction in real terms (at 1991 prices) with the grant-in-aid planned for the current triennium falling during 1995-96 and 1996-97 to £112 million and £109 million respectively. But there will still have been an increase of 2.8 per cent over the seven years to 1996-97. Figure 7 overleaf shows the relationship between broadcast hours and the grant-in-aid (excluding capital expenditure) since 1990-91.

**Figure 6: Revenue Grant-in-Aid in cash and constant prices**

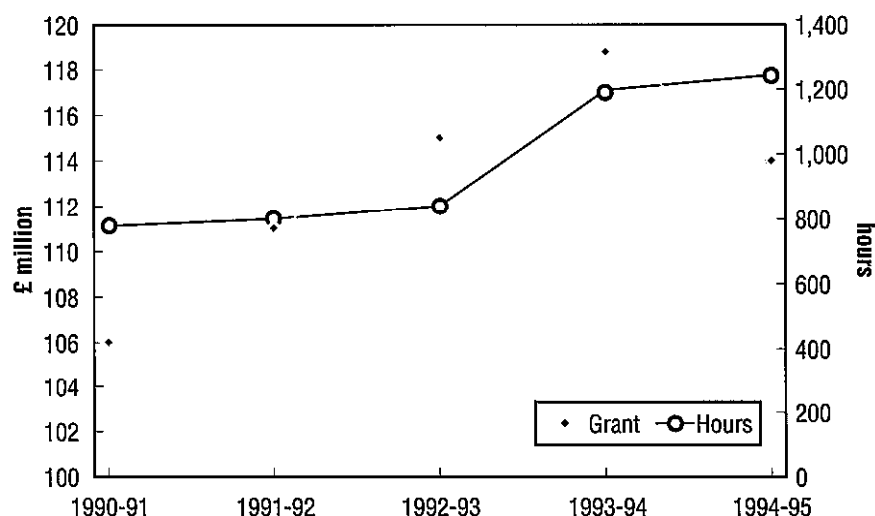


Source: National Audit Office

In the five years 1990-91 to 1994-95 the value of the grant-in-aid has risen by 7.5% in real terms; by the end of the current triennium the increase since 1990-91 will have dropped to 2.8%.

### Differences in the costs of language services

- 3.3 In 1992 the National Audit Office noted a three-fold variation in the costs of broadcasting language services and considered that the World Service had made little attempt to justify the differences. There were also significant costs in some low priority areas (Appendix 1, issue 2).

**Figure 7: Broadcast hours compared with Grant-in-Aid at constant prices**

Source: BBC World Service

At constant prices the number of hours broadcast have recently increased in proportion to the level of funding.

#### 3.4 The National Audit Office analysed the changing costs of language services since 1992 and found that:

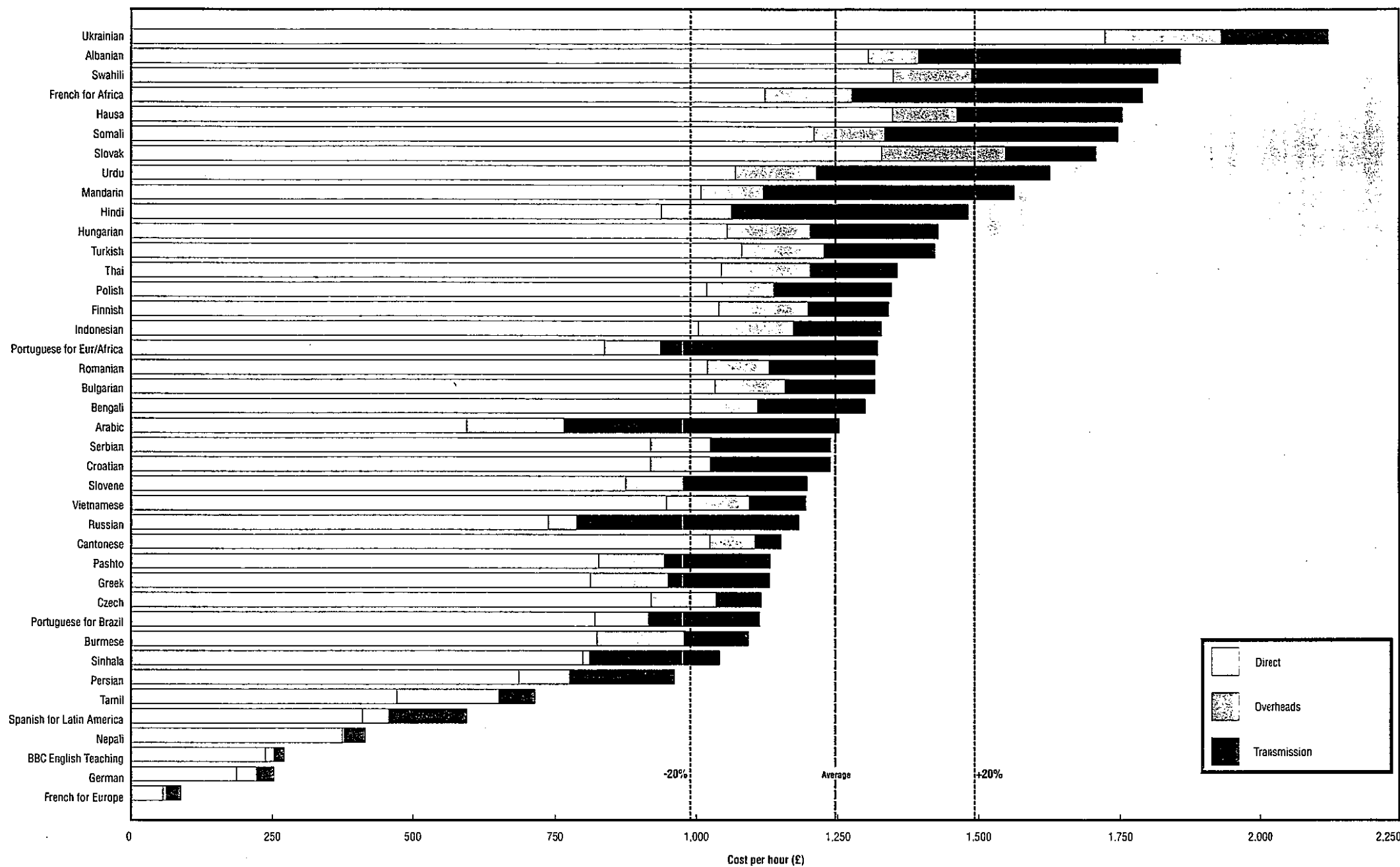
- the full costs of language services had increased by 67 per cent between 1990-91 and 1994-95. This was because of
  - an increase of 18 per cent due to inflation;
  - an increase of 20 per cent due to devolvement of support costs;
  - increase of 29 per cent in direct costs.

During this time, total broadcast hours increased by 59 per cent - and for vernacular languages only, by 76 per cent;

- changes in the costs of a broadcast hour ranged from a reduction of 43.8 per cent in Nepali and 29 per cent in Spanish for Latin America to an increase of 68 per cent in Romanian and 52 per cent in Bulgarian. Reductions in costs were generally due to an increase in broadcast hours with no increase in resources; increases in costs were generally caused by the need for enhanced coverage of the target area in response to increased local competition or the need for crisis coverage, and increases in telecommunications costs;
- the average full cost of language services for a broadcast hour in 1994-95 was £1,233. Excluding French for Europe, which is not broadcast directly, the lowest cost services were German (£254 an hour) and BBC English Teaching (£271 an hour); the most expensive services were Ukrainian (£2,123 an hour) and Albanian (£1,859 an hour) (Figure 8 overleaf);

## Figure 8: Comparative cost of Language Services

Figure 8: Comparative cost of Language Services



Source: BBC World Service

23 of the 40 services in 1994-95 were within 20% of the average cost

- hourly transmission charges for 1994-95 ranged from £5,700 (Tamil) to £29,000 (Arabic), reflecting variations in the use and operating costs of transmitters.

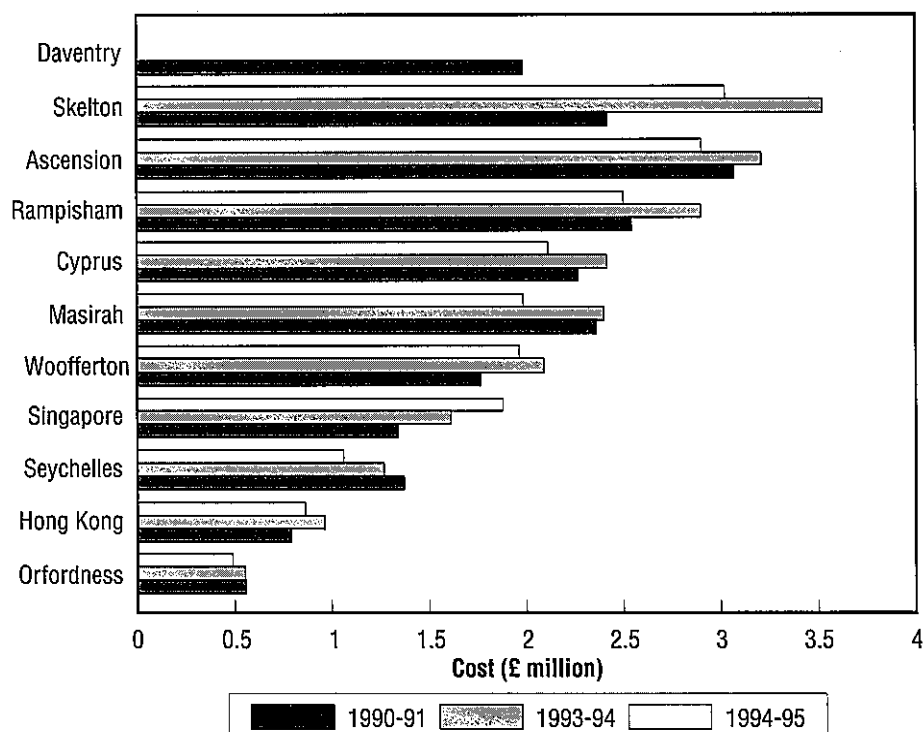
The World Service said that differences in the costs of language services were influenced by differences in transmission costs as well as by the amount and sophistication of competitors' output in target areas. These factors led to variations in programme allowance, use of production facilities, and mix and content of programmes.

- 3.5 The World Service has just completed a benchmarking exercise to identify the standard level of resources expected to be used in programme production (Production Best Practice). This covers suggested maximum resources to produce different programme types - for example, a "straight read news bulletin" of 30 minutes is set at 12 hours of production effort and two hours of studio time; a 45 minute documentary is set at 96 hours production effort, 13 hours of studio time and a programme allowance of £1,000.
- 3.6 Production Best Practice aims to develop a fair and logical basis for setting a common standard of working practices on which to build zero-based budgeting, while permitting exceptions from this common standard only where formally agreed. A rolling programme of evaluation of the programme qualities of language service outputs has shown no direct correlation between high cost and better quality.
- 3.7 Tariffs will be constructed from the 1996-97 zero-based budgeting process and Production Best Practice common benchmarks. These tariffs will be by activity and by language but are likely to converge in the future. The World Service emphasised that, while benchmarking was designed to provide a more rational basis to the control and monitoring of programme costs, it was not expected to eliminate all differences between language costs since these are caused by the wider range of factors mentioned above. The Foreign and Commonwealth Office will be considering whether they should use the results of the benchmarking exercise as a basis for future targets.

## **Transmission costs**

- 3.8 The World Service transmits its broadcasts through a network of 78 transmitters on 10 owned sites and 80 hired or shared transmitters and relay stations at 62 sites in over 30 countries; four of these sites are in the UK. The World Service makes extensive use of satellite systems in broadcasts to Europe and America. For the future, digital audio broadcasting is likely to provide technical opportunities to improve transmissions; progress is likely to be in some form of consortium with Voice of America, Deutsche Welle, and Radio France International among others.

- 3.9 During the 1991-92 to 1993-94 triennium negotiations, the World Service identified potential savings of over £4.3 million in the cost of running transmitters, while also increasing their capacity and the volume of output. While the savings were achieved, increased running costs absorbed some of the expected savings and transmitter operating costs fell by only £2.5 million (10 per cent) from £25.3 million to £22.8 million by 1994-95. This was partly as a result of the closure of the Daventry transmitter, which provided savings of £600,000 a year; there have also been savings from capital projects - such as Skelton C, which is cheaper to run and maintain than its predecessor.
- 3.10 Since 1992 the World Service and BBC Transmission have held quarterly meetings to monitor the costs of running the four UK transmitter sites, which consume some 40 per cent of transmitter costs. Between 1991-92 and 1993-94 the direct operational cost (electricity, staff and consumable items) of running the 10 World Service-owned sites decreased by £0.4 million; in 1994-95 the World Service achieved further reductions of £2.15 million.
- 3.11 The National Audit Office found (Figure 9 opposite) that, since 1990-91:
- use of transmitters at peak times had increased to 94 per cent of full capacity (previously 75 per cent);
  - the average 24-hour utilisation rate had dropped from 60 per cent to 57 per cent - with the range widening from 60 per cent to 89 per cent in 1992 to a current 43 per cent to 100 per cent;
  - the average hourly cost of transmitting programmes increased from £45.84 in 1990-91 to £58.90 in 1994-95 (10.6 per cent above inflation); and
  - the variation in World Service owned station charges continues to be wide, ranging from £10 an hour at Tanglin (Singapore - 1 Kilowatt FM) to £131 an hour at Antigua (250 Kilowatt HF). Based on the cost for a kilowatt-hour, the charges vary from 7 pence (Masirah) to £2.03 (Tanglin). The World Service said that these variations reflected the location of the transmitters, their age and their use; for example, additional costs are incurred maintaining the Ascension Island site where the World Service transmitter is located.

**Figure 9: BBC World Service transmitter costs (direct costs)**

Source: BBC World Service annual plans

The cost of running World Service-owned transmitters varies considerably.

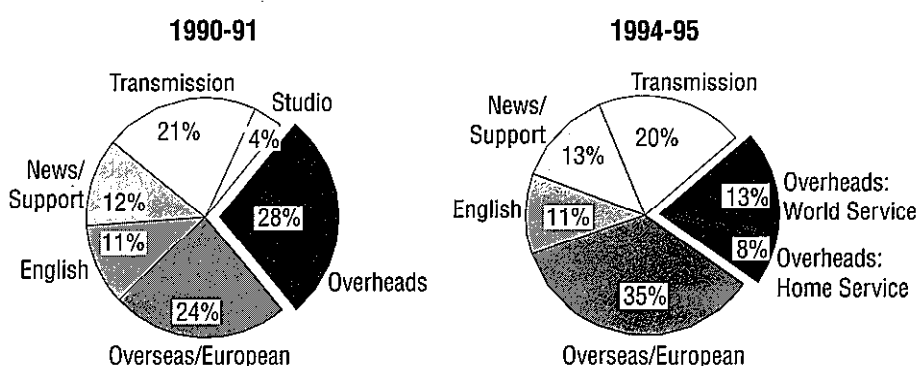
## Overheads and resource allocation

- 3.12 Since 1992 (Appendix 1, issue 3) the World Service has made significant progress in apportioning overhead costs directly to resource departments and to language services (Figures 10a and 10b opposite). By 1 April 1996 it will have completed its programme for direct apportionment, leaving only top management costs as a general overhead.
- 3.13 "User Choice" began to be introduced in the World Service in 1989. It is a mechanism for budgeting and increasing accountability for the resources used in making and transmitting programmes, giving managers direct control over how they select resources rather than leaving this partly in the hands of central departments. The World Service extended it into programme activities in April 1995 under the broader title of "Producer Choice".
- 3.14 To assess the impact which the awareness of full costs has had on planning and budgeting and on outputs, the National Audit Office interviewed three regional heads (South Asia, Americas, and Africa and Middle East). Compared with 1992 there was clearly a more business-like approach to World Service activities, an increased level of cost-consciousness and a general improvement in the cost control of language services; it has also helped in making improvements in broadcasting efficiency and effectiveness. The introduction of business



**Figure 10a: Progress in charging out overheads**

Year	Services fully charged out
1989-90	Telephones, transport
1990-91	
1991-92	Studios, studio managers
1992-93	Accommodation, other production services
1993-94	Facilities management, publicity, information centre
1994-95	Transmission costs, audience research (central), computer services
1995-96	Personnel and finance
1996-97	Audience research, capital, publicity

**Figure 10b: Breakdown of World Service costs, 1990-91 and 1994-95**

Source: World Service plans

Over the last five years programme costs have increased as overheads were allocated directly.

managers in the regions had also assisted this process and the implementation of Production Best Practice (paragraphs 3.5 to 3.7) should further increase the awareness of costs and contribute towards improved efficiency.

## Shared services

- 3.15 There are a number of services which are purchased from the Home Service - for example, library services, transmission, personnel functions and overseas bureaux. The World Service also employs 195 staff who work solely for Worldwide Television plus 10 others who do so for part of the time. As only the radio and Monitoring services are funded by the Foreign and Commonwealth Office grants-in-aid, it is essential for appropriate systems and procedures to be in place to produce fair charges.
- 3.16 With the introduction of "Producer Choice", Home Service business units have been able to provide a more thorough and accurate assessment of the cost of the services they provide. This has resulted in a significantly increased charge to the World Service for shared services. To ease the transition, the Home

Service has agreed to allow a full rebate on the extra costs identified from 1993-94, reducing to 50 per cent in 1995-96 and 25 per cent in 1996-97 (Figure 11).

**Figure 11: Home Service shared services charges**

	Triennium			Triennium			
	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	£m	£m	£m	£m	£m	£m (est)	£m (est)
Full charge				10.5	9.0	7.5	7.8
Rebate	n/a	n/a	n/a	3.0	3.0	1.5	0.8
Actual charge made	6.6	6.1	5.9	7.5	6.0	6.0	7.0

Source: BBC World Service

- 3.17 The National Audit Office examined the shared service charges, confirming that the World Service's procedures for assessing its claims for the overhead rebate were working effectively. However, the National Audit Office considered that there was further scope for the World Service to examine the actual costs underlying the charges made. In some instances - for example transmission costs and library services - the Home Service needs to provide additional information to enable the World Service to substantiate the basis on which charges are levied. This will become increasingly important as the rebate disappears in 1997-98.
- 3.18 BBC Internal Audit have undertaken a review of the trading relationship between the radio and television components to ensure that the World Service complies with the BBC's fair trading commitment. Internal Audit were satisfied that an appropriate framework is in place and working effectively, though it had two points to follow-up:
- the contract between the World Service and Worldwide Television had not been finalised; and
  - the apportionment of overheads for a few shared services, estimated at less than £10,000, and the need to formalise procedures for establishing and agreeing changes in the apportionment.
- 3.19 The National Audit Office reviewed Internal Audit's working papers and were satisfied that proper arrangements were in place to ensure that the full World Service costs are identified for charging Worldwide Television. These charges have increased from £4 million in 1991-92 to an expected £26 million in 1995-96 (Figure 12 opposite) as the television service has expanded.
- 3.20 To provide for a quicker reimbursement, the World Service claims an agreed amount each month - approximately one-twelfth of 70 per cent of the estimated annual cost (£1 million a month in 1994-95 and £1.5 million in 1995-96) from Worldwide Television. The balance, positive or negative, is claimed a month later.

**Figure 12: Charges made by the World Service to Worldwide Television**

	1991-92	1992-93	1993-94	1994-95	1995-96(est)
	£m	£m	£m	£m	£m
Charges made	4.00	7.25	12.79	18.25	25.75

Source: BBC World Service

- 3.21 There remains, however, a significant cash flow advantage to Worldwide Television. Apart from claiming only 70 per cent, the World Service does not invoice Worldwide Television until the middle of the month and it is the beginning of the following month before the cash is actually transferred to the World Service's bank account. Consideration should be given to increasing the rate of transfer of funds from World Service Television in order to secure a more timely settlement of sums already spent by the World Service.

## Studios and studio managers

- 3.22 The National Audit Office considered in 1992 that the World Service could deliver further efficiency improvements in the use of studios and studio managers (Appendix 1, issue 4). The Service introduced a computerised scheduling system in 1992-93 which has facilitated monitoring of studio and studio manager use. Differential pricing was also introduced which has led to a reduction of 13 per cent in the use of studio managers during peak times.
- 3.23 Studio manager productivity has increased from 80 per cent to 84 per cent of their total time in the three years to 1994-95 and the target of two studio manager hours for each hour of transmission has been achieved; by 1994-95 there were 1.71 studio manager hours for an hour of transmission. Partly as a consequence, studio utilisation has declined at peak times and over 24 hours. The 1994-95 target of 1.7 hours of studio use for each hour of transmission was achieved: there were 1.54 studio hours for an hour of transmission.

## Staffing

- 3.24 In 1992 the Committee of Public Accounts noted a significant increase in the number of staff employed by the World Service. They recommended that staff inspection or other workload measurements should be considered to assess the staffing levels needed for support service functions and in producing language services (Appendix 1, issue 5).
- 3.25 The National Audit Office found that progress had been slow. The World Service undertook a feasibility study of the options available early in 1993. The report acknowledged the need for better control over staff numbers and recommended that line management be given the responsibility for measuring manpower requirements. The benchmarking exercise (paragraphs 3.5 to 3.7) is designed to provide managers with a workload measurement mechanism which will be used in the course of the 1995-96 business planning process.

3.26 The National Audit Office sought to analyse changes in staff numbers. There was, however, a lack of reliable or consistent data about staff numbers. No central record is held which shows the number of staff employed on individual language or support services; such records that are available are either incomplete or not consistent with each other. The World Service said that while staff effort had always been closely monitored, data from its human resources system did not tie up with data held elsewhere in the World Service, due to a number of restructuring initiatives. Since June 1995, however, all staff data (including casual staff) on the human resources system have been input, and therefore are more easily auditable. The newly formatted management accounts also identify staff costs more explicitly than before.

3.27 The results of the National Audit Office's analysis showed:

- a continuing increase in staff employed by language services as a result of producing more output and an increase in the number of languages broadcast, made possible in part by reducing staff in support departments and releasing more resources for the language services;
- mixed success in achieving the individual language staffing targets set in the annual plans, while meeting the global target; and
- a total increase of 8\* staff to 2,183 (0.4 per cent) between 1991 and 1995; the 1995-96 plans aim to reduce staff numbers to 2,100.

## Efficiency review

3.28 The World Service has embarked on a programme in support areas of market testing and efficiency improvements since the National Audit Office's previous examination - although some services (mainly cleaning and external messengers) in the Facilities Management Department were contracted out before 1990. The Service commissioned a review by Coopers and Lybrand in 1992 to assess the potential for market testing across a wide range of its operations.

3.29 As a result of this review, which identified potential savings of up to £5.7 million, it drew up an implementation plan (Figure 13 overleaf). The savings were expected from contracting out, market testing and efficiency improvements - mainly in the capital projects department (£1.2 million) and premises operations, office services and building engineering (£0.54 million). These savings were, however, dependent on the size of the capital programme and the level of project management needed - both of which the Service considered to be volatile.

\* for proper comparison, this takes account of temporary staff not included in the 1991 figures.

- 3.30 There have been delays in implementing the full market testing programme because of difficulties in interpreting the Transfer of Undertakings (Protection of Employment) (TUPE) regulations 1981 - a problem not confined to the World Service. These Regulations are designed to protect jobs and conditions of employment when ownership changes hands. European Union procurement legislation, which the World Service has now confirmed applies to its contracts, has compounded these delays because of the need to advertise more extensively. To March 1995, savings achieved from contracting out, market testing and efficiency improvements have amounted to £1.78 million (Figure 13).

**Figure 13: Contracting-out, market testing and efficiency improvements in response to the Coopers & Lybrand report (October 1992)**

Coopers & Lybrand recommendations		Savings achieved (1992-94)		
Activity	Potential saving	Market testing	Contracting out	Efficiency improvements
	£000	£000	£000	£000
<b>1. Market Testing</b>				
Capital Projects	1,200 <sup>a</sup>	-	-	400
Facilities Management	540 <sup>a</sup>	213 <sup>c</sup>	-	407
Computer Facilities	40 <sup>a</sup>	-	-	-
	60 <sup>b</sup>			
Operational Resources	3,000 <sup>b</sup>	-	-	300
Personnel	170 <sup>a</sup>	-	-	83
	400 <sup>b</sup>			
Audience Research	150 <sup>a</sup>	-	-	-
Publicity	variable <sup>a</sup>	-	-	-
<b>2. Contracting out</b>				
BBC English	175 <sup>a</sup>	-	377	-
	<b>5,735</b>	<b>213</b>	<b>377</b>	<b>1,190</b>
				<b>Total 1,780</b>

<sup>a</sup> by end of 1994

<sup>b</sup> 1993 and beyond

<sup>c</sup> £100,000 won in-house; £113,000 won externally

Source: BBC World Service

## Revenue-earning and cost recovery activities

- 3.31 The World Service raises revenue from a number of activities, including the World Service shop and by selling spare transmitter time to other broadcasters. Before its transfer to BBC Worldwide Publishing, BBC English Trading also aimed to raise revenue for the World Service. In addition, the Service also aims to recover costs on a range of other activities, including transcriptions, topical tapes and publications.
- 3.32 When the National Audit Office last examined revenue earning activities, the World Service was not recovering full costs in all areas. The Service had a net deficit of £99,000 on its two revenue-earning activities - BBC English Trading

(£113,000 deficit) and the World Service shop (£14,000 surplus) - and was recovering £2.8 million of its £5.3 million expenditure on other cost recovery activities. The Committee of Public Accounts recommended that the Service should look for other opportunities to maximise its income (Appendix 1, issue 6).

3.33 The Service set itself a target to increase revenue on revenue and cost recovery activities by £0.4 million a year by 1993-94. It subsequently also set itself a global revenue target of £10 million a year for 1993-94 and 1994-95. Success has been mixed:

- the Service exceeded its global revenue target, increasing gross revenue earnings to £11.3 million in 1993-94 and £9.8 million in 1994-95; these figures include some £2.7 million from the sale of transmitter time previously lying idle;
- revenue, excluding sales from transmitter time, represents a greater proportion of the expenditure incurred (from 53 per cent in 1991-92 to 59 per cent by 1993-94);
- income from Monitoring, transcriptions, topical tapes and BBC Worldwide magazine increased from £2.8 million in 1990-91 to £4.1 million in 1993-94;
- in 1993-94 BBC Worldwide magazine incurred a loss of £307,000 on a turnover of £1.6 million; the venture was expected to break even in 1994-95 but incurred a loss of £353,000 on a turnover of £1.8 million; the World Service said that the magazine provided programme listings, which had previously cost £378,000 a year, but now expected it to get closer to break-even in 1995-96;
- BBC English Trading suffered a severe deterioration in its results (paragraphs 3.34 to 3.36); and
- the World Service shop made a net profit of £38,393 on sales of £1.2 million over the two years to 1994-95 but this was more than offset by losses of £93,000 on a now closed venture of selling by mail order - which encountered distribution problems because of sole agencies or licence restrictions imposed by BBC Enterprises, the main supplier of BBC products. The World Service said that the shop had not been set up purely as a commercial venture; it started out as an Information Centre for visitors to World Service and still carried out that function.

3.34 In autumn 1993 the World Service became concerned that BBC English Trading was being badly managed, generating significant losses and was in need of urgent attention. Coopers and Lybrand were brought in to review the business. Following this review, management responsibility was transferred to a senior executive in the BBC's main trading arm, BBC Enterprises, and a sales manager was appointed to oversee global sales. As part of the significant restructuring, a number of management posts were abolished.

- 3.35 A new business plan was introduced, designed to enable BBC English Trading to break even in 1994-95 - partly helped by a stock write-off of £111,000 (18 per cent of the direct cost of sales). However the business incurred a deficit of £256,000 bringing the losses incurred since 1990-91 to over £2.3 million.
- 3.36 From September 1994 BBC English Trading was transferred to BBC Worldwide Publishing, which agreed to absorb the £53,000 loss incurred after that date - a saving for the grant-in-aid. The aim of the transfer was to stem the loss borne by the Grant-in-aid, subjecting the business to the commercial environment of Worldwide Publishing to enable it to deliver a profit in the short term and to generate sufficient capital to sustain it in the medium to long term. The proposed basis for the transfer, which is being considered by the Foreign and Commonwealth Office, is:
- the value of the net assets in the business;
  - the value of future royalty income; and
  - World Service rights to the proceeds of any subsequent sale of the business to a third party.
- 3.37 Consideration is being given to amalgamating the operations of the BBC World Service shop with the three BBC Worldwide Publishing shops but no decision has yet been reached. The BBC are studying alternative ways to market BBC-branded goods but, as a proportion of turnover, the World Service shop is not seen as a major priority.

## Cash flow

- 3.38 Since 1992 the management procedures for identifying cash needs have improved substantially. Revised estimating procedures have been introduced which tighten the focus on cash management. As a result, estimating has improved and from 1994-95 the World Service has provided the Foreign and Commonwealth Office with a yearly profile of likely cash needs. The Service has in the last two years been able to keep within and close to its £2.4 million working capital ceiling on a month-by-month basis.
- 3.39 The National Audit Office's examination of the cash flow and banking arrangements confirmed that the new procedures are generally working in a satisfactory way, subject to the comments in paragraph 3.21 above about cash flow.

## Part 4: Capital programme and impact

4.1 The World Service's effectiveness continues to depend on its ability to make its broadcasts heard, the size of its audience and the impact of its programmes. In 1992 the National Audit Office found that:

- only a partial assessment of the capital improvement programme had been undertaken;
- its audience measurement needed to be more regular and timely; and
- there was a lack of detailed information on the impact of its programmes and competitors' output.

### Audibility programme

4.2 A ten-year audibility improvement programme was completed in 1991 at a capital cost of £166 million. It involved the construction of high frequency relay bases in Hong Kong and the Seychelles, some 24 replacement transmitters in the UK, six replacement transmitters overseas and the modernisation of Bush House. Its aim was to increase the output capacity of the transmitters, improve the reliability and quality of transmissions and to maintain the market share of listeners.

4.3 The Foreign and Commonwealth Office asked the World Service to undertake an impact assessment of its ten-year programme (Appendix 1, issue 7). The 1993 report showed that:

- transmitter output capacity rose from 12,100 kw to 20,900 kw - a 73 per cent increase;
- enhanced coverage increased the World Service's market share from under 50 per cent to over 80 per cent of the proportion of the international broadcasters estimated audience;
- the reliability of the signal to overseas relay stations increased by between 10 per cent and 20 per cent to 99.99 per cent; there was a stronger and clearer signal strength at 15 kHz, compared with a distorted 5 kHz ten years earlier;



- a direct saving of £0.6 million a year from the closure of transmitters at Daventry and the replacement of that at Rampisham, the closure or reduced staffing of five overseas receiving sites, and reductions in running and maintenance costs; and
  - a reduction in cost per kw hour in cash terms from 40.4 pence to 25.4 pence in the ten years to 1991.
- 4.4 The audibility programme has brought improvements mainly to East and West Europe, the former Soviet Union, Africa and the Middle East, and the Far East. Some three billion people are now able to hear the World Service at a competitive signal strength of 66 decibels or more. Audibility gaps still exist, however, in the Indian sub-continent - where 40 per cent of the potential World Service audience live but where only 23 per cent can receive a signal of acceptable quality.

## Capital expenditure

- 4.5 The Committee of Public Accounts recommended in 1992 that the World Service should be more rigorous in analysing its capital projects and emphasised the need to ensure adequate control over projects by obtaining relevant expert advice (Appendix 1, issue 8). The National Audit Office examined the changes subsequently introduced by the World Service in its capital planning and management procedures and examined four recently completed projects to assess the practical effects of the changes made.
- 4.6 The National Audit Office found that project appraisal procedures had been tightened considerably. In particular, guidance now provided for the establishment and quantification of benefits and for the identification and costing of project alternatives. Project implementation was now subject to greater control with the introduction of standard PRINCE (Projects In a Controlled Environment) methodologies.
- 4.7 The proportion of capital projects which had been completed within budget had risen to 69 per cent by number; however, while an improvement of five percentage points, this remains well below the target of 80 per cent. Against the target of 90 per cent within time (by number), achievement also fell short at 69 per cent; World Service customer departments' satisfaction with the quality of projects delivered was nevertheless high. Analysed by value, 86 per cent of projects were completed within budget and 36 per cent on time.
- 4.8 The World Service's analysis of a representative sample of 18 of its 105 capital projects completed in 1993-94 showed quantified savings of £361,100 (22 per cent) against the £1,658,100 expected; in seven of the 18 projects no quantifiable benefits were recorded. In 1994-95 the World Service spent £4.5 million on "spend to save" capital projects which it estimates will produce savings in operating costs of £1.3 million a year.

- 4.9 The examination by the National Audit Office of four selected projects, covering computer equipment, accommodation developments, digital storage and a studio project, indicated that project and planning departments were taking appropriate professional advice when necessary. While the extent to which PRINCE procedures were followed and the quality and completeness of the business cases varied, the National Audit Office considered that there had been a marked improvement in capital project planning and management since 1992.
- 4.10 One of the four appraisals, for the purchase of computer equipment, did, however, seem to have been rushed. The World Service had reserved £4 million of its 1993-94 capital budget for expenditure on the Thailand transmitter. Approval had not been obtained for this project by the end of the financial year (paragraph 2.15) and only £0.5 million had been spent on it. The Service sought a supplementary roll forward of funds but the Foreign and Commonwealth Office refused this on 17 March 1994.
- 4.11 A finance case was therefore prepared for the immediate purchase of 280 computers, 115 printers and associated software at a cost of £1.04 million. The main benefit was stated to be a saving of £60,000 by bulk purchase (£12,000 more than the BBC's normal level of discount). The financial case did not quantify the benefits and costs to operational departments though the project had been planned as a 1994-95 purchase as part of a previously approved policy of increased desktop computerisation. Essentially the purchase was brought forward to avoid repaying surplus capital funds at the end of the year and to release some of the 1994-95 budget towards expected expenditure on the Thailand transmitter.
- 4.12 The purchase was approved internally on 22 March and an order was placed immediately, without competition, for computers to the value of £400,000. As the World Service did not have space available, the equipment was delivered to the supplier's warehouse on 28 March, with storage free for six months; title to the goods passed to the World Service and payment was made before the end of the financial year. A further purchase worth £421,000 was made from the BBC Computer Store for printers and related equipment, also paid by the end of the financial year.
- 4.13 The equipment was installed gradually during 1994-95. By October 1994, 78 computers and 23 printers had been installed and by 31 March 1995 only two computers remained in store.
- 4.14 The World Service emphasised the distinct financial advantage in buying in bulk and said that, although the total cost of the purchase exceeded its delegated authority of £250,000, it did not seek formal approval from the Foreign and Commonwealth Office because the project could genuinely have been divided into independent smaller projects below the approval limit.
- 4.15 The Foreign and Commonwealth Office told the National Audit Office that they were aware of the World Service's intentions at the time and met its request for funds as part of its regular monthly claim. The Department added that in

August 1995 they had re-issued guidance about the rules governing advance payments emphasising that goods and services should not be procured in advance of need and payments should normally be made in arrears.

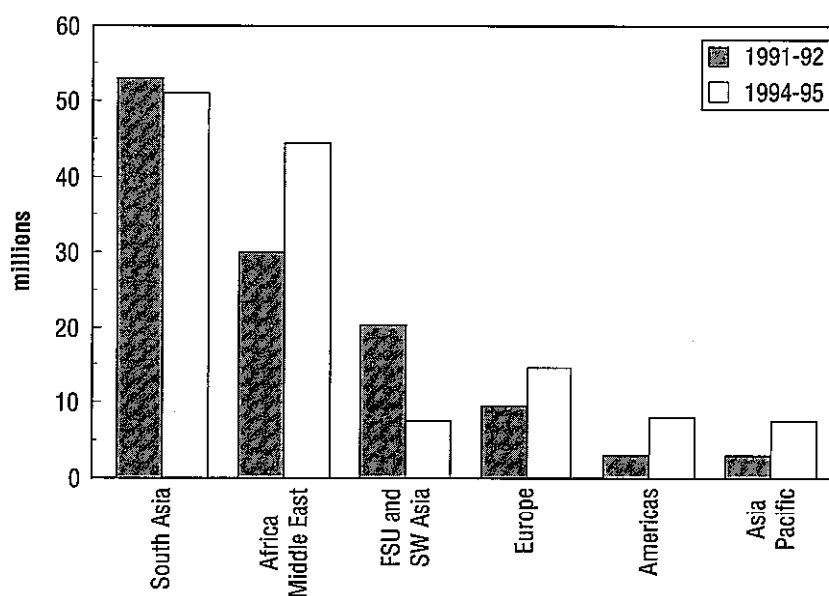
## Ten-year capital review

- 4.16 The Foreign and Commonwealth Office and the World Service have jointly reviewed the proposed capital programme for the ten years from 1994. The aim was to prioritise projects and rationalise plans in line with likely available resources. The agreed report makes proposals amounting to £247 million to £266 million (at 1994 prices) for priority capital projects needed to improve the quality and impact of broadcasts. The World Service considers the most crucial project to be the £30 million replacement relay station on Masirah Island, Oman, which currently serves an audience of over 40 million in key target areas, particularly the Middle East and South West and Central Asia (paragraph 4.4).

## Audience research

- 4.17 Since 1992 the World Service's estimated audience of regular listeners has increased from 120 million to 133 million (Figures 14 below and 15 overleaf).

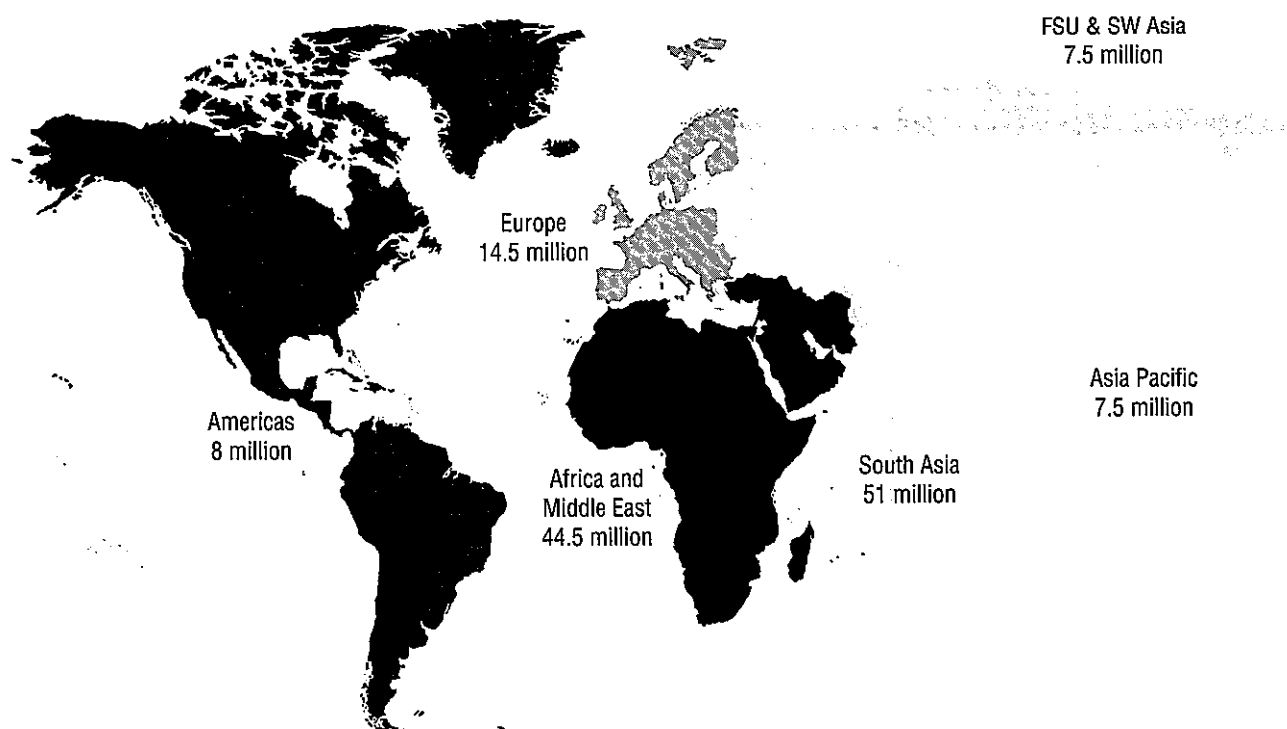
**Figure 14: Changes in regional audience sizes**



*Source: BBC World Service audience research*

Over the last five years the estimated audience size has increased by 13 million, mainly in Africa and the Middle East.

Figure 15: World Service regions and global regular audience



- 4.18 The World Service now conducts considerably more audience research than in 1992 with the research budget nearly doubled at £0.81 million and the number of qualitative and quantitative research projects has increased from 76 to 143.
- 4.19 It also places greater emphasis on the need for accountability and on the regionalisation of output. It has developed a more regular programme of audience measurement, providing quantitative research for each broadcast language every three years. These initiatives have markedly improved the extent to which audience measurement is based on up-to-date and statistically valid surveys. Currently about 91 per cent of the global audience estimate is based on research less than five years old (33 per cent in 1992) while the proportion measured by extrapolation has declined from 33 per cent to four per cent.
- 4.20 Research into the quality of programmes has sought to measure listeners' perceptions of six core values associated with international broadcasters: **distinctive** in that there was a recognisable style and a clear and acceptable identity; **functional** in doing its job well; **informative** by effectively transmitting important information; **credible** by being trusted to be objective and accurate; **interesting** in its presentation; and **empathetic** in understanding and respecting the local culture.
- 4.21 Results showed that the World Service is rated of better quality by its listeners than competing stations were by their listeners. It achieved the highest scores in five of the six countries in which pilot studies were undertaken - India, Kenya, Nigeria, Poland and Turkey. In the sixth country - Cote d'Ivoire - the World Service came a close second to Radio France International.

# Appendix 1

## The Committee of Public Accounts report recommendations on the management of the BBC World Service and government response

PAC recommendations	Treasury Minute response	Current C&AG's report references
<p><b>Issue 1: Broadcasting and financial flexibility</b></p> <p><b>PAC conclusion (i):</b> We recognise that it must be for the Foreign and Commonwealth Office to prescribe the levels of World Service outputs and countries it broadcasts to. We note the care they take to balance the competing demands on resources when assessing priorities for broadcasting time in the longer term.</p> <p><b>PAC conclusion (ii):</b> We consider the efficiency and effectiveness of the World Service would benefit if it were allowed to make marginal adjustments to its output without having to refer to the Foreign and Commonwealth Office.</p> <p><b>PAC conclusion (iii):</b> We therefore welcome the Department's acceptance of the need to allow the World Service greater room for manoeuvre in the hours broadcast. We note the World Service's belief that the extra flexibility will enable it to use its grant in aid more flexibly.</p>	<p><b>Response to PAC conclusion (i, ii and iii):</b> As a first step the Foreign and Commonwealth Office (the Department) agreed in July 1992 to give the World Service the flexibility to vary the total number of hours broadcast, without being required to seek the Department's authority, by up to 5 per cent to the end of the current triennium (March 1994). As a consequence, the World Service has introduced, within the existing grant in aid, an extra 17 hours of broadcasts in languages such as Swahili, Persian and Sinhala, and additional English lessons.</p> <p>The way in which this flexibility has worked will be evaluated in the negotiations for the next triennium (1994-95 to 1996-97). The Department will ensure that resources continue to be concentrated in high priority areas, while the World Service will make every endeavour to use greater flexibility to increase the effectiveness of its activities.</p>	<p><b>§§ 2.8-2.9</b> The relationship between the Foreign and Commonwealth Office and the World Service is now embodied in a new broadcasting agreement which provides the World Service with greater flexibility to determine languages and hours broadcast within the overall limits imposed by triennial funding settlements. In return for improved broadcasting flexibility, the new agreement places greater emphasis on World Service accountability and requires the Service to demonstrate, to the Foreign Office, its efficiency and effectiveness according to agreed key performance indicators.</p> <p>Since the previous report the National Audit Office found a nine per cent increase in direct broadcast hours, a tenfold increase in hours rebroadcast by other broadcasters and four additional languages broadcast, all achieved within triennial funding limits agreed with the Foreign Office. Broadcasts in Portuguese to Europe and the satellite stream in German were discontinued in December 1994 and April 1995.</p> <p><b>§§ 2.10-2.18</b> Financial flexibility has brought potential advantages in the Service being able to transfer funding from operational to capital budgets; and to roll forward up to 10 per cent of unspent capital allocations. The World Service, however, has not made effective use of the facility.</p>

PAC recommendations	Treasury Minute response	Current C&AG's report references
<b>Issue 2: Programme costs</b>		
<p><b>PAC conclusion (iv):</b> We welcome the measures taken by the World Service since 1985 to improve its management and efficiency. We emphasise the need to investigate thoroughly the differences in the costs of language services.</p>	<p><b>Response to PAC conclusion (iv):</b> The World Service is expecting to complete its programme of devolution of overhead costs by the end of 1993. A study of programme costs will be undertaken in 1993 to investigate differences in the costs of outputs.</p>	<p>§§ 3.3-3.4 A National Audit Office analysis found a very wide variation in the average full cost of language services for a broadcast hour in 1994-95. This emphasises the PAC's recommendation that there was a need for the World Service to examine the reasons for these variations in costs.</p> <p>§ 3.5 - 3.7 The World Service has just completed a benchmarking exercise to identify standard levels of resources expected to be used in programme production and are in the process of finalising a "Production Best Practice" guide to enable regions and language services to identify maximum resources to produce different programme types. This will develop a fair and logical basis for setting a common standard of working practices on which to build zero-based budgeting.</p>
<b>Issue 3: Overheads</b>		
<p><b>PAC conclusion (iv):</b> We welcome the measures taken by the World Service...to improve its management and efficiency. We encourage the World Service to charge out all their overheads so that full costs can be identified and controlled and decisions about relative priorities more soundly based.</p>	<p><b>Response to PAC conclusion (iv):</b> The World Service is expecting to complete its programme of devolution of overhead costs by the end of 1993. A study of programme costs will be undertaken in 1993 to investigate differences in the costs of outputs.</p>	<p>§§ 3.12-3.14 Since 1992 the World Service has made significant progress in apportioning overhead costs directly to resource departments and to language services - its programme of direct apportionment should be completed by April 1996. Compared with 1992 there is a more business-like approach to World Service activities, an increased level of cost-consciousness, a general improvement in the cost control of language services, improvements in broadcasting effectiveness and cost savings.</p>
<b>Issue 4: Studios and studio managers</b>		
<p><b>PAC conclusion (ix):</b> We are concerned that possible savings of £1 million were effectively lost when a studio allocation project was not brought in on time.</p>	<p><b>Response to PAC conclusion (ix):</b> The World Service has now installed such a system at a relatively small capital cost, after seeking advice from professional consultants. It expects to realise the full efficiency saving of £200,000 per annum from this financial year [1992-93] onwards. The World Service is also planning a value for money review of its Operational Resources Department in 1993-94.</p>	<p>§§ 3.22-3.23 The computerised scheduling system has facilitated monitoring of studios and studio managers. Differential pricing has also been introduced which has led to a 13 per cent reduction in the peak time usage of studio managers. Studio manager productivity has increased and partly as a consequence studio utilisation has declined.</p>

**PAC recommendations****Treasury Minute response****Current C&AG's report references****Issue 5: Staffing**

**PAC conclusion (v):** We note that World Service staff numbers have increased significantly over the two years to March 1991. We consider that the credibility of its arrangements would be enhanced if it adopted a system of independent staff inspections.

**Response to PAC conclusion (v):** The World Service points out that increases in broadcasting and monitoring staff have been made with the object of improving the quality of programmes and enhancing standards of journalism, in order to maintain its competitive position. Staff productivity has also increased from 14.1 hours of broadcasting output per employee in 1989-90 to 15.1 hours in 1991-92. However, the World Service recognise the need for careful control of staff numbers and will be considering the introduction of staff inspections or equivalent measures. This would reinforce the existing programme of value for money reviews.

**§§ 3.24-3.25** Progress towards adopting the PAC recommendation has been slow. An independent feasibility study of staff-numbers audit, planning and control, carried out in early 1993, confirmed the need for improved control over staff numbers. It recommended that responsibility for identifying manpower requirements should be devolved to line-management. Since then a benchmarking exercise was completed in April 1995 which should provide managers with a mechanism for measuring workload requirements. Trialing of the benchmarking guidance is expected to begin in 1995.

**§§ 3.26-3.27** An analysis by the National Audit Office of the changes in staff numbers since 1991 was hampered by a lack of reliable centrally maintained data on staff employed on individual language or support services. Since June 1995 all staff data have been live on the Human Resource system and staff costs can be identified more explicitly than before. Staff have increased by 0.4 per cent since 1991 and the World Service plan to reduce staff to 2,100 during 1995-96. The National Audit Office identified a continuing increase in staff employed by the language services made possible by reducing staff in support departments and mixed success in achieving individual language service staffing targets set in annual plans, although global targets were met.

**Issue 6: Income**

**PAC conclusion (vi):** We endorse the World Service's aim to increase the return from its two revenue earning activities. We encourage the Service to maximise its income from other activities by adopting a similar approach where possible and appropriate.

**Response to PAC conclusion (vi):** The World Service is exploring a number of options to increase income under the auspices of a Revenue Earning Committee. Targets for increased income have been set for all existing income generating activities in each of the three years of the next triennium. Net income from the two revenue earning activities, the World Service shop and BBC English is targeted to rise from 1992-93 to 1996-97 from £50,000 to £365,000 in the case of the shop, and from a shortfall of £221,000 to a net income of £990,000 in the case of BBC English.

**§§ 3.31-3.37** The World Service set itself a global revenue target of £10.0 million a year for 1993-94 and 1994-95. Success has been mixed. It exceeded its global revenue earnings targets; and income from monitoring, transcription, topical tapes and BBC Worldwide increased by £1.3 million to £4.1 million in the three years to 1993-94. However, BBC English Trading suffered a severe deterioration in its results and has incurred total losses of £2.3 million over the last four years. The World Service shop made a net profit of £38,400 on sales of £1.2 million over the last two years which was offset by losses of over £93,000 on a now closed mail order venture.

**PAC recommendations****Treasury Minute response****Current C&AG's report references**

The BBC Worldwide magazine incurred a loss of £353,000 in 1994-95 but is expected to get closer to breaking even in 1995-96.

**Issue 7: Audibility programme**

**PAC conclusion (x):** We are pleased to recognise the World Service's eminent position in the field of international broadcasting. It is fundamentally important to ensure that its broadcasts can be heard clearly. We welcome the recent improvements in audibility for some parts of the world which have had difficulty in hearing World Service transmissions. We endorse the Foreign and Commonwealth Office's intention to evaluate the effectiveness of the World Service's audibility programme.

**Response to PAC conclusion (x):** The World Service intends to continue to pay attention to the need for its broadcasts to be heard clearly. The World Service has now produced a report for the Department on the impact of the Audibility Improvement Programme. The report concludes that the Programme has met its overall objective which was to allow the World Service to keep up with its international competitors. The World Service share of the listeners for international broadcasts, which was below 50 per cent before the start of the Programme, now stands at over 80 per cent. Moreover the Programme also allowed improvements in broadcasting efficiency. The Department will now study the audibility report.

**§§ 4.2-4.3** The World Service's assessment of the Audibility Improvement Programme identified a 73 per cent increase in transmitter output capacity, enhanced market share of the global listenership, improved reliability and signal strength, direct savings of £0 6 million and a 37 per cent reduction in transmission cost per Kw hour over the ten year period of the programme.

**§ 4.4** Audibility improvements have been most evident in East and West Europe, the former Soviet Union, Africa and the Middle East. The World Service recognise that some audibility gaps remain particularly in the Indian sub-continent, where 40 per cent of the total World Service audience are to be found but only 23 per cent of whom currently receive a signal of acceptable quality.

**Issue 8: Capital programme**

**PAC conclusion (vii):** We recognise the difficulty of quantifying requirements for broadcast "need", such as improvements to audibility or programme quality. However it is important to aim to assess all the likely economic benefits of capital proposals and we are glad to note that the World Service is now using more rigorous capital project analyses.

**Response to PAC conclusion (vii):** The World Service is now using more rigorous appraisal techniques to assess the benefits of capital proposals. In particular, where broadcasting need is the main justification and benefits are difficult to quantify, the World Service is using cost effectiveness analysis techniques as described in the Treasury booklet "Economic Appraisal in Central Government". Greater effort is also being made to quantify benefits when this can be achieved through the development of a set of performance indicators.

**§§ 4.5-4.15** The National Audit Office examination of capital appraisal and management procedures found that these had been considerably tightened and provided for the establishment and identification of project benefits and alternatives while implementation was subject to more control. On the basis of four projects examined, the National Audit Office found that there had been a marked improvement in capital planning and management procedures and practices since 1992, while observing that the quality and completeness of the project business cases varied.



**PAC recommendations**

**PAC conclusion (ix):** We are concerned that possible savings of £1 million were effectively lost when a studio allocation project was not brought in on time. We emphasise the need for public bodies to ensure that they have access to expert advice on projects of this nature.

**Treasury Minute response**

**Response to PAC conclusion (ix):** The World Service has now installed such a system at a relatively small capital cost, after seeking advice from professional consultants. It expects to realise the full efficiency saving of £200,000 per annum from this financial year onwards. The World Service is also planning a value for money review of its Operational Resources Department in 1993-94. It acknowledges the need to have expert advice on projects of this nature and has asked the Government Centre for Information Systems (CCTA) to assist with the design of its information strategy.

**Current C&AG's report references**

**§§ 4.9** The National Audit Office examination of four capital projects found that departments with responsibility for project planning and management were taking appropriate professional advice when necessary.

**Issue 9: Delegated authority**

**PAC conclusion (viii):** We note that the Treasury are undertaking a review of delegated authorities for incurring capital expenditure. Any greater freedom for the World Service would make the need for effective investment appraisal procedures all the more important.

**Response to PAC conclusion (viii):** The final stages of the Treasury review of delegated authorities to the Department for capital and other expenditure are being undertaken in close consultation with the Department. The Treasury's delegated authorities to the Department cover, inter alia, the grant in aid to the World Service. The Department, in turn, gives levels of delegated authority for various purposes to the World Service. All delegated authorities from the Department to the World Service are conditional on the satisfactory operation of sound financial and economic management systems within the World Service, including effective investment appraisal procedures.

**§§ 2.10-2.12 and 4.14** The Foreign Office's delegated authority for the World Service to incur capital expenditure was increased from £100,000 to £250,000 in 1994. As from September 1995 Treasury authority is needed for capital projects in excess of £1m (previously £3m). The World Service's authority to carry over unspent budgets may remain at 10 per cent of the capital grant-in-aid for the planned life of the Thailand project - up to 1997-98 - and, thereafter may revert to the normal 5 per cent.

**Issue 10: Editorial freedom**

**PAC conclusion (xi):** We record the importance we attach to the continued editorial freedom of the World Service and to the measures designed to ensure adherence to its standards.

**Response to PAC conclusion (xi):** The World Service welcome the importance the Committee attaches to its editorial independence. It will continue to take appropriate measures to ensure adherence to editorial standards.

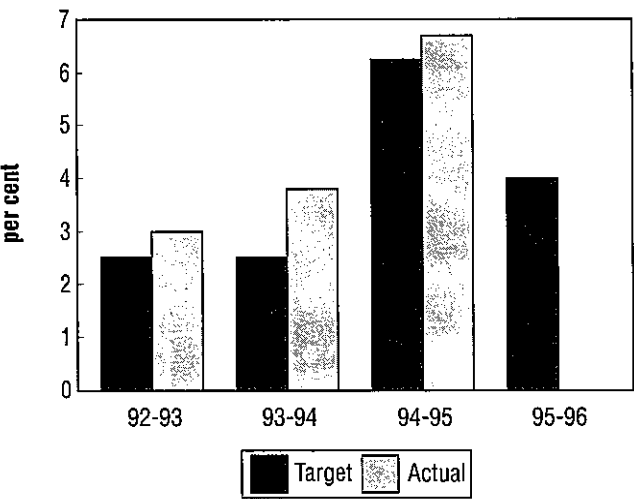
**§ 1.1** The World Service aims to produce credible, unbiased, reliable, accurate and balanced programmes of high professional standard.

**§§ 4.20-4.21** From research into the quality of programmes the World Service achieved the highest scores in five of the six countries in which pilot studies were undertaken. This research analysed listeners' perceptions of six core values associated with international broadcasters: distinctive, functional, informative, interesting, emphatic and credible. On credibility the World Service was assessed on whether it was trusted, objective and accurate.

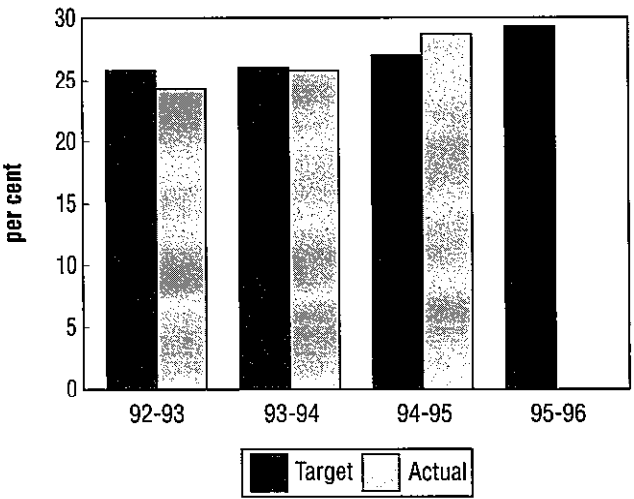
# Appendix 2

## Key performance indicators

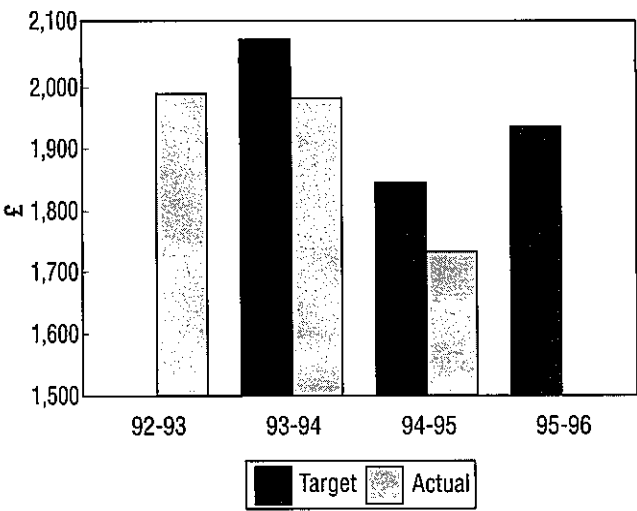
Redeployment of resources



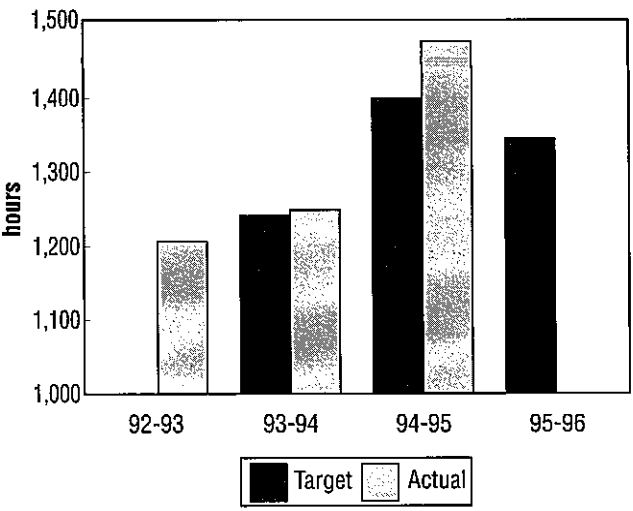
Transmission costs per kw hour

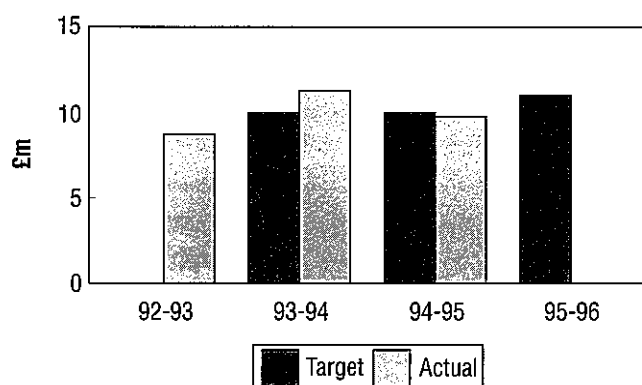
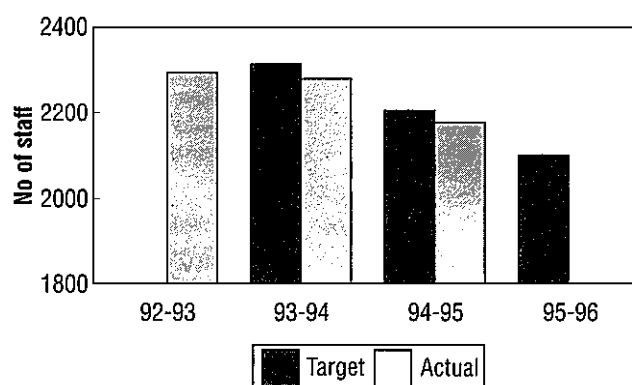
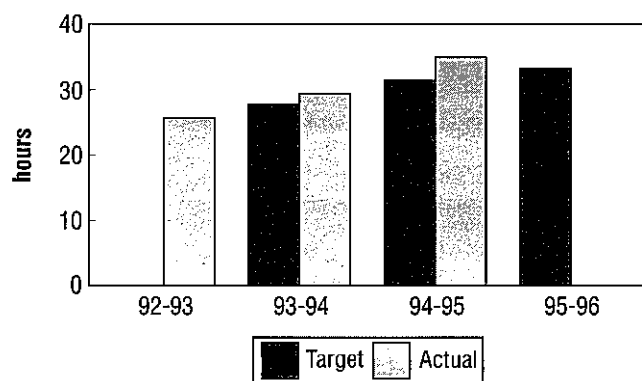
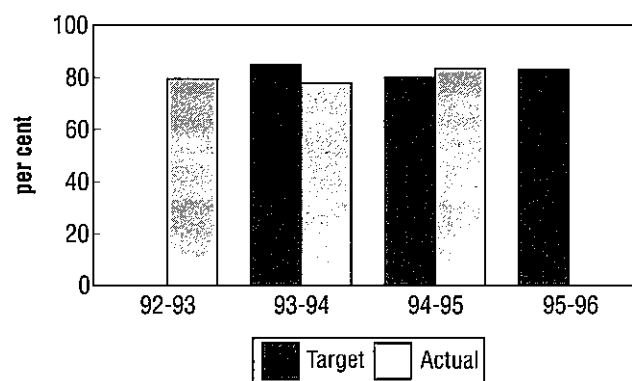
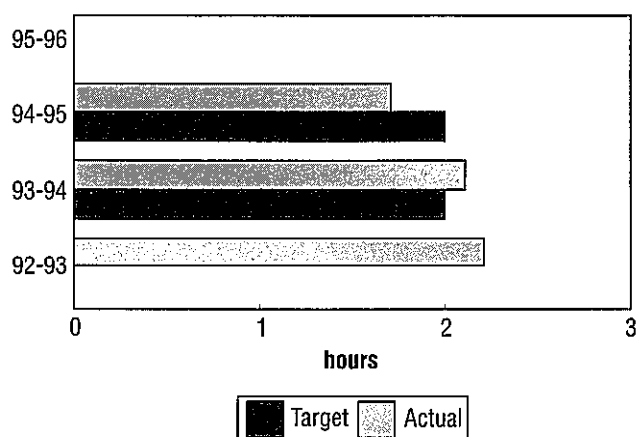
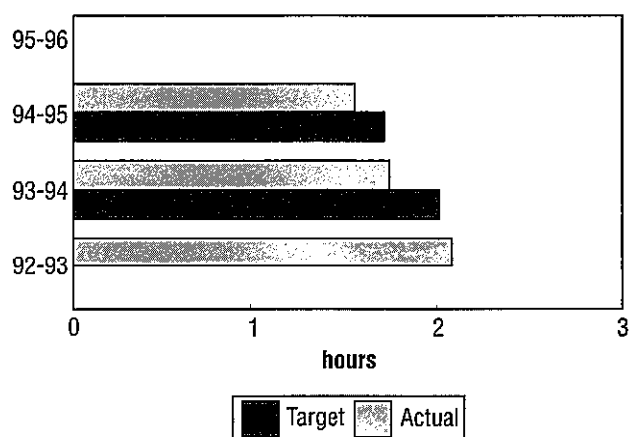


Costs per hour Broadcast

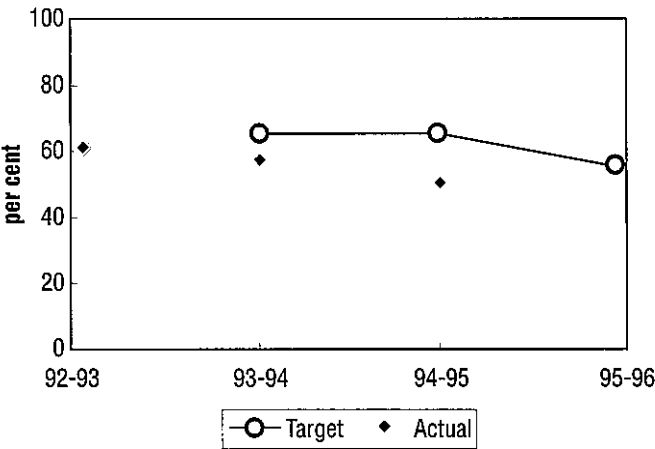


Total Programme Hours

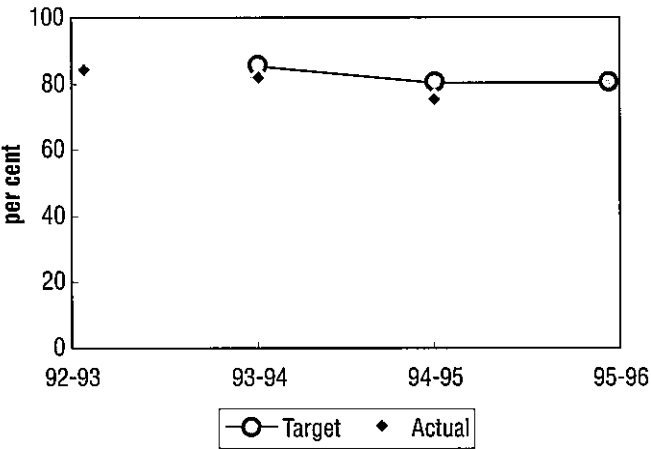


**Income from Revenue Earnings****Staff Numbers (broadcasting)****Output per staff member****Studio Manager Productivity****Studio Manager hours per hour of Transmission****Studio hours per hour of Transmission**

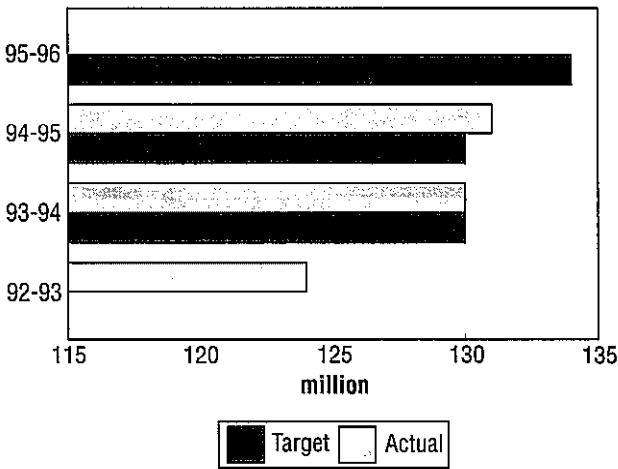
Studio Utilisation (24 hours)



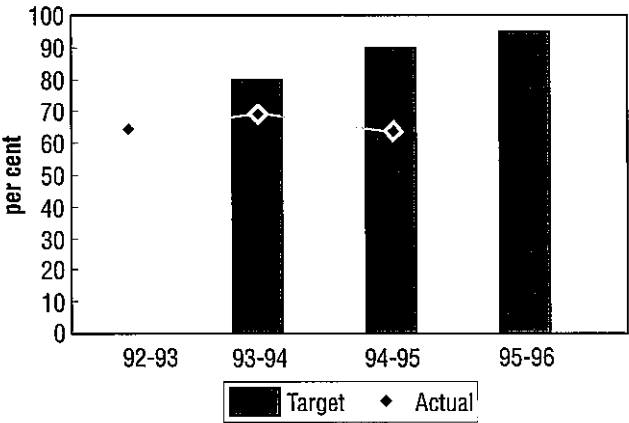
Studio Utilisation (10:00 to 20:00)



Audience Size



Capital Project Performance: completed within budget (by number)



Capital Project Performance: completed on time (by number)

