

The efficiency of radio production at the BBC



SUMMARY

1 In 2007-08 the BBC spent £462 million, 14 per cent of its licence fee income, on 16 radio stations – ten Network stations (of which four are digital only) broadcasting to the whole United Kingdom (Network stations) and two stations each for Northern Ireland, Scotland and Wales (Nations stations). Each station broadcasts a diverse mix of programmes and all are accountable to the BBC Trust against the station goals set out in Service Licences issued by the Trust.

2 We looked at what the BBC is doing to maximise the efficiency of radio production across its different stations. Specifically, we reviewed whether the BBC has effective procedures for delivering efficiency in radio production by focusing on:

- whether the BBC makes use of cost comparisons to identify the scope for efficiency gains;
- the efficiency gains the BBC is planning to deliver; and
- whether the BBC assesses the impact of efficiency initiatives on performance.

3 Our review covers the ten Network stations and the six Nations stations. We have not evaluated matters relating to content and target audiences, which are matters of editorial judgement for the BBC.

4 BBC Nations and Network radio achieved savings of £11.7 million by 2007-08 against a target of £11.6 million, and contributed cumulative cash releasing savings of £18 million, net of implementation costs, to the BBC's efficiency programme for the three years to March 2008. Efficiency is a combination of cost and performance but the BBC's primary goal was to deliver

financial savings and divisions were not required to measure whether reductions in costs had been secured without a decrease in the quality of outputs. The BBC has recognised that, under the current efficiency programme, it will need to measure performance as well as savings to demonstrate that genuine efficiencies have been achieved.

5 The BBC's target for Nations and Network radio, for its current efficiency programme for the five years to April 2013, is to reduce expenditure on Network and Nations radio through efficiency savings amounting to £21.1 million, generating cumulative cash releasing efficiency savings, net of implementation costs, of £68.7 million (£57.4 million from the ten Network stations and £11.3 million from the six Nations stations). To meet this target the BBC can make efficiencies by spending less to secure the same quality of output, or by altering the mix of programmes in the schedule as long as the station continues to meet the BBC objectives set out in its Royal Charter and in the Service Licences issued to each station by the BBC Trust.

6 Managing the efficiency of radio production requires, as a first step, an understanding of the costs of production before engaging in a process for identifying how costs can be reduced without an unacceptable impact on performance. Each BBC radio station is different and stations broadcast a diverse range of programmes. However, programmes can be grouped together by genre (for example, drama, music, or comedy), enabling cost comparisons within and between stations (recognising that a genre can include a wide range of outputs – for example, music covers the Chart Show on Radio 1 and Celtic Heartbeat on Radio Wales).

7 In 2006 the six Nations stations completed an exercise to compare their costs, to identify best practice in the way that they worked and to inform the setting of efficiency targets. In 2007 the Network stations commissioned benchmarking of programmes across Network and Nations stations but the exercise has not yet been used to inform target setting or the identification of savings initiatives. Using the data collected for the wider 2007 benchmarking exercise we examined the cost of comparable programmes and identified a wide range of cost variations. We used BBC classifications of programmes, for example, drama and comedy, while recognising that the classifications themselves are often broad. For example, the goals of music programmes on Radio 1, Radio 2 and Radio 3 are very different.

8 There is a range of cost variations for similar classifications of programmes, from music, where the average cost per hour of music programmes on Radio 2 is 54 per cent higher than the next highest Network station, Radio 1, and more than twice the cost for Radio 3. In-house dramas in London and in Manchester and the North are over 50 per cent higher than the other English regions and Wales, and over three times those in Scotland. Whilst Radio 3 pays almost 29 per cent more for an hour of in-house produced drama than for independent productions, the cost of drama produced in-house by the BBC for Radio 4 is similar to the cost of drama Radio 4 commissions from independent production companies. In addition, for most breakfast and evening drive-time programmes on Network stations, the BBC's costs are significantly more expensive than commercial programmes in the same slots, largely because of the costs of presenters and other staff, reflecting an editorial choice on the BBC's part to take account of the nation-wide remit of its Network stations.

9 Such cost comparisons are a starting point for examining radio production efficiency, but need to be considered in the context of the audience expectations, the remit of the service as determined by its Service Licence, and the audience targeted. These comparisons can then help to identify those areas of the business where there may be greatest scope to deliver efficiency savings, subject to the BBC's assessment of any impact on programme quality and service distinctiveness.

10 When the BBC commissions programmes it seeks to promote efficiency by setting guide prices. Guide prices reflect BBC judgements about what programmes should cost and the value that they are intended to bring to the programme schedule. The BBC has undertaken exercises to inform the revision of guide prices for 2009-10 for Radio 4's drama and factual programmes and Radio 2's comedy programmes, although these were based on budgeted rather than actual costs, and such analysis is not undertaken routinely across all stations.

11 BBC radio stations are governed by the BBC's public value performance framework when evaluating the impact of potential efficiency savings on performance. The framework is made up of four measures: *reach*, *quality*, *impact*, and *value for money* which the BBC Governors and, subsequently, the BBC Trust has required the BBC to use since 2004 when measuring performance at station level. While the BBC confirmed that efficiency initiatives have been prioritised according to the likely effect on the four aspects of the performance measurement framework, there is a lack of supporting documentation on that prioritisation exercise. The BBC's use of the framework to assess progress against efficiency targets in radio is still being developed, particularly for the *impact* indicator.

12 To provide a sound platform for planning and monitoring its efficiency programme, the BBC needs to have specific costed plans. The Nations and Network radio stations have set targets for how much they need to deliver and the implementation costs they expect to incur in each of the five years of the efficiency programme. Each station has identified the broad areas in which they will seek to make efficiencies and to develop detailed costed plans with reference to specific initiatives as part of the annual budget setting process.

13 While BBC radio stations have diverse programming and audience objectives they do have some similar programme types as well as some common elements of the production process. The BBC seeks to identify and disseminate good practice in making efficiency savings amongst the Network radio stations and amongst Nations stations. While there is a pan-BBC group that brings together the Controllers and Heads of radio, there is no evidence of good practice being shared in a systematic way.

Conclusion on value for money

14 The BBC is seeking to maximise the value for money it achieves from the £462 million a year it spends on Nations and Network radio while maintaining or improving the performance of those services for listeners. To achieve its aim the BBC needs to be able to identify where costs can best be reduced whilst maintaining overall performance. The BBC has already achieved savings and identified the scope for more. There is limited documentary evidence, however, that it has systematically assessed the potential impact of savings on its radio output and it has done limited work to examine significant cost variations. The BBC is not therefore making full use of opportunities to increase the value for money it is achieving. On the basis of variations in costs for comparable programmes, it is likely that a systematic analysis of the costs and performance of the most expensive programmes would help the BBC to identify areas where it could make further efficiency savings.

Recommendations

a The BBC has explored its data on the costs of radio production for some programme types but has not made full use of its data to identify the scope for potential efficiency savings across its Network and Nations stations.

The BBC should, in a rolling programme:

- i** compare the costs of comparable programmes to highlight areas where there may be scope for further efficiency savings (paragraphs 38 to 45);
- ii** identify the reasons for cost variations between programmes, establish whether variations are due to differences in editorial ambition or efficiency and assess the scope for further efficiencies (paragraphs 38 to 45);
- iii** inform guide price ranges for programme genres by analysis of actual cost data (paragraph 48).

b Without evaluating the effect of proposed savings initiatives using its performance measurement framework the BBC will not be able to demonstrate it is delivering efficiency gains.

The BBC should:

- iv** assess and document the likely and actual overall impact of efficiency savings initiatives on each of its public value criteria (*reach, quality, impact, and value for money*) (paragraph 73);
- v** complete the work it is now doing to establish indicators and baselines for measuring performance against each of the public value criteria (paragraph 74).

c While each station has identified efficiency initiatives there is a need for a more systematic sharing of ideas and good practice.

The BBC should:

- vi** use the existing Radio Network to identify and spread good practice in radio production efficiency (paragraph 66).

d The BBC does not have arrangements with commercial radio stations for assessing its radio production efficiency relative to them.

The BBC should:

- vii** explore with commercial radio stations how they might establish benchmarking arrangements to identify where and how savings can be made (paragraph 52 to 54).