



National Audit Office

The BBC's management of its coverage of major sporting and music events

Report by the Comptroller and Auditor General

This report has been prepared under clause 79 (3) of the Broadcasting Agreement between the Secretary of State for Culture, Media and Sport and the BBC dated July 2006.

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Summary

1 The BBC covers a wide range of major sporting and music events in pursuit of its Royal Charter commission to inform, educate and entertain viewers and listeners. The process of covering sporting and music events starts with an editorial decision to broadcast coverage of the event, subject, in some cases, to the procurement of broadcast rights. Once the BBC has the rights to broadcast coverage, it has to set the scale and nature of its coverage.

2 In 2008-09, the BBC spent £246 million on procuring rights to broadcast sporting and music events and £111 million on coverage of those events. Our examination focused on the coverage of major events – those involving a significant commitment of BBC resources to live broadcast over two or more days on more than one BBC platform (TV, radio, online). The six events were the Beijing 2008 Olympics Games, the 2008 UEFA European Football Championships (Euro 2008), The Championships, Wimbledon, the Glastonbury Festival of the Performing Arts (Glastonbury), the BBC Proms and Radio 1's Big Weekend. The cost of covering these events in 2008-09 was £35 million, or 31 per cent of the BBC's overall expenditure on the coverage of sporting and music events.

3 Across the six events we examined the BBC broadcast over 2,000 hours of television and radio coverage, supplemented by online and interactive coverage. Between four and 47 million people watched the BBC's coverage of these events. The BBC's coverage has been widely appreciated. For example, over 70 per cent of people rated the quality of the BBC's coverage of Euro 2008 as at least eight out of ten. Approximately 80 per cent of the United Kingdom's population watched at least three minutes of the Beijing Olympics coverage.

4 This review by the National Audit Office was prepared under an agreement between the Secretary of State for Culture, Media and Sport and the BBC¹. The review looks at how the BBC has sought to deliver value for money through the management of its coverage of major sporting and music events. We did not evaluate the decisions to cover the events or to buy the rights, which are editorial judgements. Our methodology is at Appendix 1, with a fuller version at www.nao.gov.uk.

¹ A 'Framework Agreement' under Article 49 of the BBC Royal Charter 2006 between the Secretary of State for Culture, Media and Sport and the BBC – Command 6872, dated July 2006.

Main findings

5 Two BBC Divisions, BBC Sport and Audio & Music, are responsible for its coverage of major sporting and music events. The annual targets for each Division reflect what the BBC considers should be achieved by its coverage across its whole portfolio of events, not just major events. For example BBC Sport has a target that 50 per cent of adults who follow sport on TV should think the BBC is best for sport. Audio & Music met almost all its coverage-related targets for 2008-09 but BBC Sport missed nine of its 15 2008-09 targets for quality and reach of its coverage.

6 Coverage of individual major events can involve significant expenditure and the outcomes of coverage can have a material impact on the achievement of Divisional targets. In line with the performance management framework set by the BBC Trust, the BBC has not set quantified targets for its coverage of individual events, and viewers' and listeners' appreciation is hard to predict with any certainty because of the unpredictable impact of external factors, such as the performance or appearance of individual athletes or pop stars. The BBC does, however, use the coverage information from post-event reviews on, for example, numbers of viewers or audience reaction, to inform its expectations for future events, albeit without, in the past, setting quantified targets for future events based on that research.

7 Non-quantified coverage objectives were established for only one of the events we reviewed, although they were not supported by measurable indicators that could be used to assess whether the objectives had been met. More recently, since the events covered in this report, the BBC has set quantified targets for Glastonbury in 2009 and for Radio 1's Big Weekend from 2010. It has also started to set indicative reach guidelines for some sports events.

8 Several BBC Divisions can be involved in coverage of major events. Individual budgets are included in Divisional plans for TV, radio and interactive coverage in line with platform priorities. For example the BBC Sport plan included TV (including HD), radio and interactive plans of £13.7 million for coverage of the Beijing Olympics. However this figure did not include additional budgets of £2.5 million for some talent, BBC staff and online coverage, which were approved separately. The total budget of £16.2 million was not brought together anywhere.

9 For events with significant rights costs – generally the sports events – an outline coverage budget is approved when the rights are procured, based on the cost of covering previous events. Expenditure on Euro 2008 was within the indicative original budget but that for Wimbledon was £0.7 million over the indicative original budget for television coverage on a like-for-like basis, excluding long-term talent costs which were not in the indicative budget (although total final expenditure was almost exactly in line with the final budget). Actual coverage budgets tend to start as rolled forward versions of previous budgets for annual events at the same location each year and there was a more comprehensive budget-building process for the four-yearly Olympics and Euro football finals. While there is consideration of alternatives for elements of coverage as part of budget preparation, for example which cameras to use or staffing decisions, and in practice some choices may be ruled out on editorial grounds, there is almost no formal cost-benefit consideration of different coverage options when budgets are approved.

10 A large proportion of the BBC's coverage costs for major events is for outside broadcast services and technology to capture, edit, and transmit pictures. Some costs are unavoidable because the BBC is required to use host broadcaster services and, sometimes, broadcast centres. Other costs are necessary consequences of live broadcasting from remote locations, for which the BBC uses existing contracts or competitive tender for new contracts. In addition there are other costs arising from BBC editorial decisions, for example for studios or presenters. Costs are incurred on an event-by-event basis and, while changes in location can make comparisons difficult, the BBC made only limited use of the potential for using internal benchmarking of costs to improve efficiency. The BBC believes it can take assurance on cost control from the fact that the same production teams oversee coverage of similar events so knowledge is built up over time but it does not have documented comparisons for similar events.

11 The BBC delivered coverage of all six major events on time and largely within final budgets. Whilst the BBC uses experienced production personnel to deliver its coverage, the BBC has recognised that the absence of a formal documented control framework or a formal planning procedure may have exposed the BBC to unnecessary risks. The BBC has now put more formal planning processes in place for its coverage of Radio 1's Big Weekend, the London 2012 Olympics and the Proms.

12 The BBC completed a number of post-event reviews, including those by its marketing division, internal audit and the production teams, to learn lessons and to inform target setting for future event coverage. However it did not carry out the key post-implementation review of its coverage of major events, bringing together all aspects of performance. It carried out a review on only two of the six 2008 events. Whilst the BBC reported achievements in its post-event reviews, the value of the analysis was limited by the absence of baselines against which performance could be assessed.

Conclusion on value for money

13 The BBC spent £357 million in 2008-09 on the rights for and coverage of sporting and music events. It delivers coverage that is valued by millions of viewers and listeners, largely within the budgets that it has set. The BBC does set, and report on whether it has achieved, coverage objectives at a divisional level. However, as coverage options are not developed and considered for cost-effectiveness against alternatives when budgets are approved, quantified objectives are not set and there is limited structural review of costs, the BBC is not making the best use of the information available to it to test and demonstrate the value for money of its coverage. To improve the cost-effectiveness of its coverage the BBC needs to adopt a more systematic approach to assessing objectives, options and costs for its coverage of major events.

Recommendations

14 To enhance its ability to assess and improve the value for money of its expenditure, and to assist it in allocating resources, the BBC should adopt a more structured approach to the management of its coverage of major events.

- a** **The BBC measures performance at a divisional level but when approving budgets to cover individual major events does not identify the intended benefits from its coverage.** Without active consideration of the benefits and the costs of coverage when it approves expenditure limits the BBC is not in a position to evaluate the cost effectiveness of expenditure on individual events. Using the trend information on performance it collects at an event level and already uses to inform expectations of coverage outcomes, the BBC should, when approving coverage budgets, build on the work it has started for Glastonbury and Big Weekend and set measurable objectives for individual major events so that it has a clear basis for assessing the success of its coverage and the value for money it has secured.
- b** **Setting measurable objectives for coverage is not a precise science. The outcome of coverage may be affected by factors beyond the BBC's control, such as the presence and performance of outstanding athletes or pop stars.** When reporting performance, managers should set out the material external factors affecting performance and an estimate of their impact on the outcome of coverage, taking account of trends for similar coverage in the past.
- c** **The BBC does not consider a range of costed options when it approves its coverage of major sporting and music events.** By considering just one option for approval, the BBC is limiting its ability to make informed judgements about the best use of its funds. The BBC should set out planned outcomes for a number of different budgets.

- d** For 2009-10, the BBC introduced quantified reach guidelines for its coverage of four sports as these were material to the achievement of the BBC's overall reach target. The BBC should assess whether the application of reach guidelines for some individual events can be extended to other events and to the other indicators in its performance management framework, ideally moving towards setting quantified objectives as for its Glastonbury coverage from 2009 onwards.
- e** The BBC does not have transparency over the total budget for coverage of individual major events. Approvals processes for expenditure mean that all expenditure is approved but not gathered together to allow the BBC to consider total costs against achievements. The BBC should collate total costs, ideally for a single coverage sponsor to support full reviews of performance against cost.
- f** The BBC has used only limited and informal internal benchmarking to compare the costs and production processes of recurring and similar major sporting and music events it covers. The BBC should identify BBC-covered events that would allow structured cost comparisons and, for annually-recurring events, carry out thorough bottom-up cost reviews periodically.
- g** The BBC's Programme Management Office, established in 2008, supports the delivery of the BBC's strategic projects through the provision of general and specific guidance and the dissemination of good practice. The coverage of individual major events sits outside the Programme Management Office's remit. The Programme Management Office should however identify those aspects of best practice which may benefit the coverage of major events and disseminate them to the relevant teams.
- h** The BBC uses a number of different methods for assessing the quality and management of its coverage of individual events and learn lessons but does not systematically carry out integrated reviews combining costs, performance and management on an annual basis. Post-implementation reviews of major events, which cover these elements, are triggered by renewal or termination of rights deals but this is not necessarily an annual process. The BBC should, taking materiality into account, carry out annual reviews bringing together cost performance and management of coverage.