



Managing the BBC's estate

Report by the Comptroller and Auditor General
presented to the BBC Trust Value for Money Committee,
3 December 2014



BRITISH BROADCASTING CORPORATION

Managing the BBC's estate

**Report by the Comptroller and
Auditor General presented to the
BBC Trust Value for Money Committee,
3 December 2014**

*Presented to Parliament by the Secretary of
State for Culture, Media & Sport
by Command of Her Majesty
January 2015*

© BBC 2015

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as BBC copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

BBC Trust response to the National Audit Office value for money study: Managing the BBC's estate

BBC Trust response

As governing body of the BBC, the Trust is responsible for ensuring that the licence fee is spent efficiently and effectively. One of the ways we do this is by receiving and acting upon value for money reports from the NAO. This report, which has focused on the BBC's management of its estate, has found that the BBC has made good progress in rationalising and upgrading its buildings, but that value for money in the future will depend on making better use of space and maintaining flexibility. This is a conclusion that we recognise and support.

The BBC Executive has reduced the size of the estate by 29 per cent while at the same time adding new TV channels and radio stations, and upgrading its buildings to ensure they are fit for purpose. This is a significant achievement.

The Trust's role regarding property is to monitor performance and challenge the Executive to ensure that the interests of licence fee payers are at the heart of key decisions. This includes annual budgets and the most significant investments, both of which require Trust approval.

This year the Executive has developed a new strategy which has been reviewed by the Trust. In the short term, the Executive is focused on delivering the disposal of Media Village in west London and associated staff moves including plans to relocate staff to surplus space in Birmingham, Salford, Bristol and Caversham. This disposal will reduce vacant space to just 2.6 per cent and significantly reduce costs. Plans are also in place to move BBC Wales to newer, smaller, more efficient headquarters in Cardiff.

In the longer term, the strategy includes new targets to ensure the cost of the estate continues to fall in real terms, and to reduce the amount of space per person from 12 square meters today to 8.3 square meters, a target already reached at Broadcasting House. This would take the BBC below the government's current target for the wider public sector of 10 square meters per person. We agree with the NAO that this is an ambitious target but it needs to be ambitious if the BBC is to extract maximum value from the estate, particularly New Broadcasting House which, as the NAO points out, is relatively expensive. The property strategy will make an important contribution to the BBC's wider plans under the Delivering Quality First initiative to generate £700 million annual cost savings by the end of this Charter period in 2016-17.

We believe that the NAO report will help the BBC to achieve these aims. The report highlights a number of areas where the BBC can improve and the Trust endorses the NAO's recommendations. We will monitor the Executive's response to ensure that major investment decisions continue to be assessed against the property strategy, that options to increase flexibility are evaluated to ensure they are value for money and that the quality of information on how the BBC uses the estate improves.

BBC Executive response to the National Audit Office value for money review: Managing the BBC's estate

BBC Executive response

The BBC Executive welcomes this NAO's report, which concludes that "the BBC has made good progress in rationalising and upgrading its estate" and that "it is using its estate more efficiently.

In 1998, the BBC occupied many rambling buildings; most were old, run down, costly to maintain and provided poor working conditions; and very few of them were fit for modern broadcasting. Aware of the need to start a major programme to make our estate fit for the new digital world, the then Governors and Executives designed a 15 year plan to modernise and consolidate the estate, using five guiding principles:

- Flexibility – buildings were to be flexible to adapt to a rapidly changing industry.
- Technology – space had to be able to adapt to the technology of the future without expensive reconstruction work.
- Talent – buildings must attract and retain the best talent.
- Audiences – buildings should promote the relationship with the public inviting them in wherever possible and being able to see programmes being made.
- Cost – buildings that help us save money not waste it.

As noted by the NAO, **the BBC met the long-term aim set in its 1998 property, which was to complete this plan so that after the upgrade the property would cost no more than before¹**: using the same methodology as then, the cost of the estate is £321m, against a £324.5m target.

Indeed, since 1998, the estate has been significantly reduced in size, consolidated, modernised and open to the public; efficiency has improved; in addition, the BBC rebalanced its presence across the UK, moving closer to its audiences.

Major projects have been delivered, including Pacific Quay in Scotland, Mailbox in Birmingham, Media Village in W12, MediaCity in Salford, Roathlock drama village in Cardiff and New Broadcasting House in London. The old Television Centre was sold, in a deal worth £200m and generating £30m annual savings. The BBC is also in discussions to sublet three of its buildings in London Media Village. Plans are in place to move BBC Wales to entirely new headquarters, much smaller but much more efficient and fit for purpose.

Whilst there is still work to be done in some buildings, most significantly in Belfast, 62% of our estate is now less than 15 years old, and overall the BBC's buildings are now fit for purpose: and set in locations which encourage interaction with our audiences and the wider creative community. Also, we met our target to have more than 50% of our staff located outside London one year early.

¹ The costs were certified by KPMG. This included not only the operational costs of the estate, but also the opportunity cost of freeholds.

This is not the end of the road of course: we remain committed to 'provide great spaces that work for creative people' and to continue to modernise older buildings. We have identified where further efficiencies could be made and set ambitious targets, including continuing to deliver savings by keeping any increase in the net cost of the estate below RPI.

In this context, the BBC welcomes the NAO recommendations, which it had already started to implement.

Recommendation a

Assessing decisions about individual property projects against a clear target of what it wants its overall estate cost to be.

The BBC agrees. Indeed, decisions on individual property projects are taken on the basis on a full investment appraisal process, which takes into account the impact on the overall cost of our estate as well as wider costs and benefits, both financial and non-financial.

We note the NAO comment that the BBC did not meet its target to cap estate costs at 6% of licence fee but this observation must be taken in context. This target was set in 2008, as a proxy for our longer term objective (that the estate would be refreshed so that after the upgrade the property would cost no more than before), which we have met. The 6% target did not take into consideration the opportunity cost of freeholds; the NAO calculated that deducting this from costs in 2013-14, would mean that the 'core' running cost the estate reaches 6.2% of the licence fee income, very close to the 2008 target. In addition, the 6% target ceased to be meaningful as a measure when the licence fee was frozen in 2010 and new financial obligations were imposed upon us, including

paying for BBC Monitoring and World Service property costs. The overall cost of the estate is now within the baseline established by the Governors in 1998 and we will continue to meet that challenge.

Recommendation b

When considering taking long-leases on buildings, the BBC should evaluate the potential impact on its ability to respond to changing needs.

We agree. The BBC understands the need for flexibility in its portfolio as a whole, but needs to balance the flexibility provided by shorter leases against the significantly lower costs and risks of longer term leases, especially given high fit-out costs. Hence, when we invest in major locations (such as London, Salford, Glasgow and Cardiff) where we are confident of an enduring presence, we favour long-leases. However, we always preserve flexibility though the ability to reassign the lease or sublet the property – which has been done in many cases.

Recommendation c

The BBC needs better information on how its use of space is changing in response to changing business pressures.

We agree. The importance of detailed and accurate data is a vital part of maintaining a flexible and balanced property portfolio. Spot surveys were undertaken and we have included in the contract for our new facilities management partners (Interserve) the requirement to conducted six monthly and annual utilisation surveys. We are also implementing a 'swipe in/swipe out' system in our major buildings enabling us to have very accurate information on usage.



National Audit Office

British Broadcasting Corporation

Managing the BBC's estate

Report by the Comptroller and Auditor General

This report has been prepared under Clause 79 of the Broadcasting Agreement, as amended, between the Secretary of State for Culture, Media & Sport and the BBC dated July 2006

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

12 November 2014

This report examines whether the BBC is using its restructured estate efficiently while minimising cost and retaining flexibility to adapt to future needs.

© National Audit Office 2015

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact copyright@nao.gsi.gov.uk. Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.

Contents

Key facts 4

Summary 5

Part One

The BBC's property strategy 11

Part Two

The cost of modernising the estate 19

Part Three

BBC estate usage 26

Appendix One

Our audit approach 32

Appendix Two

Our evidence base 34

The National Audit Office study team consisted of:
Richard Gauld and Danielle Williams, with assistance from Kathryn Barrett and Martin Chong, under the direction of Peter Gray.

This report can be found on the National Audit Office website at www.nao.org.uk

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Enquiries: www.nao.org.uk/contact-us

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

£273m

annual running cost of the BBC's UK estate in 2013-14, net of income from commercial subsidiaries and third parties

7.3%

of licence fee income was spent on running the BBC's UK estate in 2013-14. This includes transitional costs associated with updating the estate, but is net of income from commercial subsidiaries and third parties

154

buildings in the BBC's UK estate in September 2014

457,500 m² Net internal area of the BBC's UK estate in September 2014

62% of the BBC's estate by floor area that was less than 15 years old in September 2014

5% of the BBC's estate by floor area that was less than 15 years old in 1998

50% The BBC's target for increasing the percentage of its staff based outside London, which it met one year early

32% above external benchmark of the cost per square metre of the BBC's estate in 2012-13

12m² Area occupied per person in March 2013, excluding specialist space

14.8m² Area occupied per person in April 2008, excluding specialist space

12% BBC's estimate of surplus estate capacity in September 2014

Summary

Background

1 The BBC has a large and diverse portfolio of properties in the UK. These range from large production centres – combining office space, radio and television studios, editing suites and technical areas – to leases on rooms used for interviews. In September 2014, the BBC had 255 properties in its estate. This included 154 buildings with a net internal area of 457,500 square metres, of which around 42,600 square metres was vacant. Other properties in the BBC's estate included unoccupied sites used for aerials and masts.

2 Property is a significant area of spend for the BBC. In 2013-14, the BBC spent £273 million on running its estate, excluding capital projects and net of rental income from commercial subsidiaries and third party tenants. This was equivalent to 7.3% of its annual licence fee income. The value of the estate on the BBC's balance sheet at 31 March 2014 was £839 million of which £712 million related to properties leased by the BBC.

3 The BBC's long-term aims for its estate, which it set in 1998, are to upgrade, consolidate and open it up to audiences without increasing the running cost. After the 2006 licence fee settlement, the BBC added new aims, which were to provide a fit-for-purpose and flexible estate at the minimum possible cost. In February 2014, the BBC completed a new high-level property strategy, which focused modernisation on:

- supporting digital innovation;
- fostering creative ambitions;
- facilitating partnerships with the wider creative community; and
- reducing costs.

4 The BBC's Executive Board is responsible for developing and implementing the property strategy. The BBC is supported by Lambert Smith Hampton Ltd., which advises it on estate management, and BNP Paribas Real Estate Advisory & Property Management UK Ltd, which advises it on rate valuations. Interserve Plc provides the BBC with facilities management services.

5 The BBC Trust is responsible for reviewing the BBC's property strategy and approving major individual property projects. The Trust's Value for Money Committee received the BBC's latest property strategy in February 2014.

Scope and approach

6 The BBC has completed most of its major estate projects. We have already reported on the value for money of individual BBC property projects, such as the redevelopment of Broadcasting House in central London and the relocation of several BBC departments to a new site in Salford. In this report we examine the cost and performance of the BBC's overall estate, in particular:

- progress against the BBC's long-term goal, set in 1998, to modernise its entire estate by 2015 without imposing new burdens on the licence fee that would divert funds from programme-making;
- the impact of the BBC's estate strategy on running costs, with reference to external benchmarks; and
- whether the BBC is making efficient use of its estate, informed by internal and external benchmarks and capacity planning.

7 We did not assess the value for money of individual property projects for this report, although we did visit several BBC sites to understand how the BBC was using and managing them. The financing of major property projects, which we examined in previous reports, was also outside the scope of our review. Further details about our scope, approach and how we assessed value for money are in Appendix One.

Key findings

Upgrading the estate

8 The BBC has upgraded a large proportion of its estate to meet changing operating requirements, improve its environmental performance and open more of it up to audiences. It estimates that in September 2014, 62% of its UK estate by floor area was less than 15 years old compared with just 5% in 1998. It achieved this by completing several major property developments including Broadcasting House in London and Pacific Quay in Glasgow, and by refurbishing or relocating many smaller sites. New and upgraded sites have replaced ageing facilities that the BBC considered not fit-for-purpose, and significantly improved the BBC's environmental performance. The BBC designed its main new sites to be more accessible to visitors. For example, around 100,000 people a year have been on public tours of Broadcasting House since it opened in 2013 (paragraphs 1.6, 1.8 and 1.9).

9 The BBC has reduced the size of its estate, which has helped improve efficiency. Between 1999 and 2014, the BBC reduced the net internal area of its estate by 29%, from 640,000 square metres to 457,500 square metres. This reduction coincided with an increase in its broadcast and digital output. In September 2014, it had 154 buildings in its estate. The reduction in space has significantly exceeded the reduction in staff numbers, which indicates the BBC is using its estate more efficiently (paragraphs 1.9 to 1.11).

10 Some buildings that the BBC has earmarked for improvement, because they are outdated and inefficient, have still to be upgraded. Sites that have not yet been upgraded include Cardiff, and Belfast. These ageing sites require extensive maintenance and their design and layout is not well suited to the BBC's current needs. The BBC plans to relocate its Cardiff operations to a new site in 2018. However, it has still to determine how it will address inefficiencies at its site in Belfast (paragraph 1.8).

Costs

11 The BBC did not meet the target it set in 2008 to cap estate costs at 6% of licence fee income by 2013. The BBC used this target to measure performance against its long-term goal to modernise its estate without increasing running costs. However, the 6% target did not appear to be based on any assessment of what the estate for an organisation of the BBC's type and size should cost. The target and the reported costs also did not separate out the transitional cost of implementing the strategy and the BBC's core property costs. This means that although the BBC Executive and the BBC Trust tracked the overall cost, they did not have a clear view of the 'core' running cost (paragraphs 2.2 to 2.4, 2.5 and 2.9).

12 The BBC did not appear to use the 6% target to manage its overall estate costs and it has since adopted a revised target. In January 2010, the BBC Executive asked the BBC Trust's Finance Committee for approval to increase the target to 8%, to take account of the financial impact of selling freeholds and replacing them with leaseholds. The Finance Committee concluded that it was not the right time for the BBC Executive to make a decision on rebasing targets within the property strategy. The BBC Executive continued to report against the 6% target. However, its spending plans were not aligned with the target and there is no evidence that it took the target into account when considering investment cases for individual property developments. In its 2014 property strategy, the BBC did not report on performance against the 6% target. It did, however, report that it had met a long-term aim set in its 1998 property strategy to spend no more on estates than it did then, after adjusting for inflation and other changes. It also set a new objective to keep any increases in estate costs below increases in the retail price index (paragraphs 2.3, 2.4 and 2.11).

13 The cost of Broadcasting House in London, on which the BBC has a 30-year lease, has increased the cost of the BBC's estate above external benchmarks. The BBC completed the refurbishment and extension of Broadcasting House, its headquarters in London, in late 2012 following a 10-year redevelopment. Its running cost per square metre in 2012-13, using a standardised cost classification system used for benchmarking real estate, was £1,422. Benchmarking exercises carried out by the BBC indicated that the running cost was nearly three times the UK average for comparable buildings, excluding specialist space, and 49% higher than the benchmark for the same part of central London. The site now accounts for 33% of the total annual cost of running the BBC's estate in the UK and accommodates 23% of public service broadcasting staff. The overall cost of running the BBC's main properties, at £649 per square metre, was 32% higher than the external benchmark in 2012-13 (paragraphs 2.6 to 2.7 and 2.12 to 2.13).

14 If Broadcasting House is excluded, the cost of running the rest of the BBC's estate is well below external benchmarks. We analysed the impact of removing Broadcasting House from the BBC's benchmarking data. This suggested that the average cost of the remaining buildings was £426 per square metre. This was 14% below the benchmark (paragraph 2.13).

Usage

15 The BBC has improved its use of available space. Between April 2008 and March 2013, the BBC reduced the area per person across its estate, excluding specialist and vacant areas, from 14.8 square metres to 12 square metres, a 19% reduction. This improvement was due mainly to the BBC achieving high usage rates in the BBC's London estate, including Broadcasting House (paragraphs 3.5 to 3.7).

16 The BBC has identified that it could use its estate more efficiently and has set ambitious targets. The BBC's own analysis suggests that several of its main sites are operating below capacity and have more space per person compared with external benchmarks. In September 2014, the BBC estimated that it had surplus capacity of 12% across its main sites. It has plans to address this at some sites by relocating staff to these sites, disposing of parts of Media Village in London and, by 2018, decreasing capacity in its Cardiff site. This would allow it to release surplus space elsewhere and bring the BBC closer to its target area per person of 8.3 square metres (paragraphs 3.6 to 3.8).

17 The BBC does not yet have good enough information on how its buildings are used to optimise usage. The BBC has undertaken usage surveys at some of its main buildings. For others, it has incomplete data on headcount and how people, particularly freelancers, use the buildings. However, because of increasingly flexible working patterns linked to technological change, and the uncertain requirements of project-based work, one-off surveys cannot provide a complete picture of how buildings are used. The BBC will need more regular and detailed usage data to identify opportunities for more efficient use. The BBC informed us that it intends to install a system that will provide it with more accurate information on the number of people using its main sites (paragraphs 3.9 to 3.10).

18 By selling or subletting most of its vacant sites and actively marketing the rest, the BBC is moving closer to its target to reduce vacant space to 5% of its estate. At September 2014, 9.3% of the BBC's estate was vacant. At the time of our report it was discussing terms with a potential tenant for vacant space in the Media Village in west London. This contract would reduce vacant space to 2.6% of its estate (paragraphs 3.11 to 3.13).

Adapting to changing needs

19 Within the past 15 years, the BBC took out long leases, which it cannot surrender until the 2020s or 2030s, on properties that it no longer needs. The BBC spread the cost of new building projects by taking out long leases on them while selling freehold properties. For example, the BBC took out a 30-year lease on the Media Village in west London, which it moved into in 2004. However, six years later the BBC developed proposals to vacate the site and sublet surplus space. It intends to reduce the proportion of the site it occupies to 23% by the end of 2015. It believes that it will cover its liabilities for the remainder of the lease while avoiding other occupancy costs such as utilities and rates. Other sites would be more difficult to sublet without incurring losses owing to conditions in the local property market, which has limited the BBC's options. For example the BBC plans to relocate staff from London to surplus space in Birmingham, which it took a 25 year lease on in 2001, in line with its current vision for this site. Subletting surplus space at this site was not commercially viable (paragraphs 3.14 to 3.16).

Conclusion on value for money

20 The BBC has made good progress in rationalising and upgrading its estate. It has replaced many ageing buildings with a smaller number of modern facilities that are better suited to its needs and more accessible to audiences. The BBC set an overall target cost for its estate. However, there is little evidence that the BBC was sufficiently mindful of the target when taking decisions on individual estate projects.

21 While much of the estate compares well with external cost benchmarks the overall costs are distorted by the high cost of Broadcasting House. Value for money in the short to medium term will depend crucially on the BBC making better use of space across the estate. The BBC has set ambitious targets to do this but it will need better information on usage to succeed. For the medium to longer term, the BBC needs to maintain enough flexibility in its leasehold and freehold portfolio to allow its estate to adapt quickly to the changing needs of an organisation operating in a fast-changing sector.

Recommendations

- a** **The BBC should assess decisions about individual property projects against a clear target of what it wants its overall estate cost to be.** The BBC set a target to spend no more than 6% of licence fee income on its estate. However, it did not use this target to inform individual investment cases or align it with spending plans.
- b** **When considering the financial benefits of taking long leases on buildings, the BBC should also evaluate the potential impact on its ability to respond to changing needs.** This should include assessing the impact on the overall flexibility of its property portfolio and the cost of exiting buildings early in the event of space becoming surplus to requirements. The BBC's decision to sublet most of the Media Village, which it has leased until 2035, shows the need for flexibility in its portfolio as a whole. Some other sites, such as Birmingham and Pacific Quay, would be more difficult to sublet.
- c** **The BBC needs better information on how its use of space is changing in response to changing business pressures.** The BBC has carried out usage surveys at some of its main sites. However, as working patterns and use of technology evolve, it will need to collect and make use of more regular real-time information on usage to identify surplus capacity and opportunities for efficiencies.

Part One

The BBC's property strategy

1.1 We have examined the BBC's progress in implementing its long-term property strategy and set out here:

- the BBC's aims for its estate;
- our assessment of the BBC's progress against these aims; and
- the different types of property in the BBC's estate.

The BBC's aims for its estate

1.2 In the BBC's 1998 long-term property strategy, it aimed to:

- upgrade its estate by acquiring and refurbishing properties;
- consolidate its estate into fewer sites across the UK; and
- make its estate more accessible to audiences.

1.3 The BBC's Board of Governors approved the 1998 property strategy on condition that it did not result in more spending on property and less spending on making programmes. In 2004, the Governors also approved a target to increase the proportion of public service staff based outside London from 42% to 50% by 2016. This target aimed to make the national spending profile more balanced and better reflect the needs of audiences outside London.

1.4 In 2008, the BBC Trust, which succeeded the Board of Governors, approved an updated property strategy. The BBC retained the original aims of the 1998 strategy. However, it added plans to further reduce the size of the estate and move more staff out of London to address rising property costs and changes in its business strategy. In February 2014, the BBC Trust's Value for Money Committee approved an updated high-level property strategy. The updated strategy focused modernisation on supporting digital and online innovation, fostering creative ambitions, facilitating partnerships with the wider creative community and reducing costs.

1.5 The BBC's Executive Board has ultimate responsibility for implementing the property strategy. BBC Workplace, a department within the BBC, deals with estate and facilities management; overseeing construction projects; and managing vacant property and disposals. In May 2014 it had 39 staff. BBC Workplace is supported by professional advisors Lambert Smith Hampton Ltd., which advises it on estate management, and BNP Paribas Real Estate Advisory & Property Management UK Ltd, which advises it on rate valuations. Interserve Plc provides the BBC with facilities management services.

Progress in upgrading the estate

1.6 Over the last 15 years, the BBC has upgraded a significant proportion of its estate. It has completed major estates projects at its main sites in London and Glasgow (**Figure 1** and **Figure 2**) and in Salford, on which we have previously reported. The BBC has also completed smaller ones (for example, in Hull, Leicester and Norwich).

1.7 The BBC originally planned to renew and consolidate its entire estate by 2015. It later scaled back its plans because of changing priorities, reduced funding and limited capacity to manage several property projects at the same time. In September 2014, 62% of its estate was less than 15 years old compared with 5% in 1998.

1.8 By upgrading a large proportion of its estate, the BBC has reduced greenhouse gas emissions, water use and waste production. Broadcasting House in London and its site in Salford were awarded Building Research Establishment Environmental Assessment Methodology 'excellent' ratings. This improved on the earlier Pacific Quay development in Glasgow, which was rated 'very good'. Relocating out of Television Centre to more environmentally efficient buildings will have a significant impact on the BBC's sustainability. Television Centre had accounted for 25% of its total energy consumption and 36% of its water consumption. The BBC estimates that by closing the building it will cut the cost of utilities by 21% and water consumption by 30%.

1.9 The BBC still has some ageing sites, including Cardiff, Bristol and Belfast, which require extensive maintenance. The relatively poor quality of the infrastructure at some of these sites has disrupted programme-making and put transmission at risk (**Figure 3** on page 14). The BBC has prioritised investment in these sites based on its assessment of risk to broadcast output. It has announced plans to relocate its Cardiff operations to a new site in 2018 but has yet to determine the future of the sites in Belfast and Bristol.

Figure 1

Case example: Broadcasting House, London

Key facts:

Budgeted development cost: £991 million	Target operational date: December 2008
Revised development cost: £1,049 million	Actual operational date: December 2012
Annual running cost in 2013-14: £89 million	Capacity: 5,400 people
	Net internal area: 52,000 square metres

The redevelopment of Broadcasting House, the BBC's London headquarters, was the largest capital project undertaken by the BBC in recent years. It took 10 years to complete. The relocation of staff to the new site was central to the BBC's plans to rationalise its London estate. The building provides a mixture of office, production and technical space. It accommodates 23% of public service broadcasting staff, including from television, news, radio and online, and has the largest live newsroom in Europe and is the location for 27 language services. Around 100,000 people a year have been on public tours of the refurbished and extended Broadcasting House since it opened.

Source: National Audit Office based on site visits, review of BBC documents and previous reporting by the National Audit Office on BBC property projects

Figure 2

Case example: Pacific Quay, Glasgow

Key facts:

Original budgeted cost: £126 million	Target operational date: June 2006
Revised budgeted cost: £188 million	Actual operational date: July 2007
Actual development cost: £188 million	Capacity: 1,706 people
Annual running cost in 2013-14: £15 million	Net internal area: 24,800 square metres

The BBC commissioned a new development at Pacific Quay in Glasgow to replace an existing site in Queen Margaret Drive. The building was designed to support new technology and new ways of working. In 2014, the BBC used it for the coverage of the Commonwealth Games and the referendum on Scottish independence. The site is underused and the layout makes it more difficult to sublet parts of it that are surplus to the BBC's requirements. Local market conditions may also limit subletting opportunities. The BBC considers that it could improve utilisation by redesigning the layout and moving staff from other parts of the country to the site.

Note

1 The original budget approved in 2002 was revised by the BBC in 2005 following a change in technology requirements.

Source: National Audit Office review of BBC documents

Figure 3

Case example: Cardiff Broadcasting House

In its 1998 property strategy, the BBC reported that the age and layout of Cardiff Broadcasting House (the Llandaff site), from which it had broadcast since 1966, made it unsuitable for modern broadcasting. The BBC appointed an architect to draw up plans to modernise it but did not reach a decision on the site's future until 2014 due to competing priorities. We found from our site visit, focus groups and review of BBC documents that the site has a poor layout, does not support creative working and has studios and facilities that are not fit-for-purpose. The site has suffered from flooding, including of the archives, and has empty floors that are no longer needed. Between January 2012 and March 2013, the BBC recorded over 858 incidents affecting programme-making. The level of incidents involving programme disruption or loss of output at the site increased by 66%. The BBC announced in June 2014 that it planned to sell the site and move operations to a new leasehold building in the centre of Cardiff by 2018.

Source: National Audit Office based on BBC documents

Progress in consolidating the estate

1.10 The BBC has significantly reduced its estate, from 374 properties in 1999-2000 to 255 in September 2014. Its estate includes 154 buildings and 101 other property interests such as sites for masts and aerials.¹ **Figure 4** shows the location of the 154 buildings in the BBC's estate after consolidation.

1.11 The BBC has also reduced the net internal area of its estate. Between 1998 and 2014, it reduced it by 29% from 640,000 to 457,500 square metres. The consolidated estate includes 42,600 square metres of vacant space. This excludes Television Centre because the BBC transferred early possession of this site to a new owner in October 2014. **Figure 5** on page 16 outlines the main features of the Television Centre deal.

1.12 The BBC estimates that more than 50% of its staff now work outside London compared with 42% in 2004. It has therefore met one of the original requirements set for the estate one year early (paragraph 1.3). Around 46% of the BBC's estate, measured by floor area, is in London (**Figure 6** on page 17).

Current usage of the BBC's estate

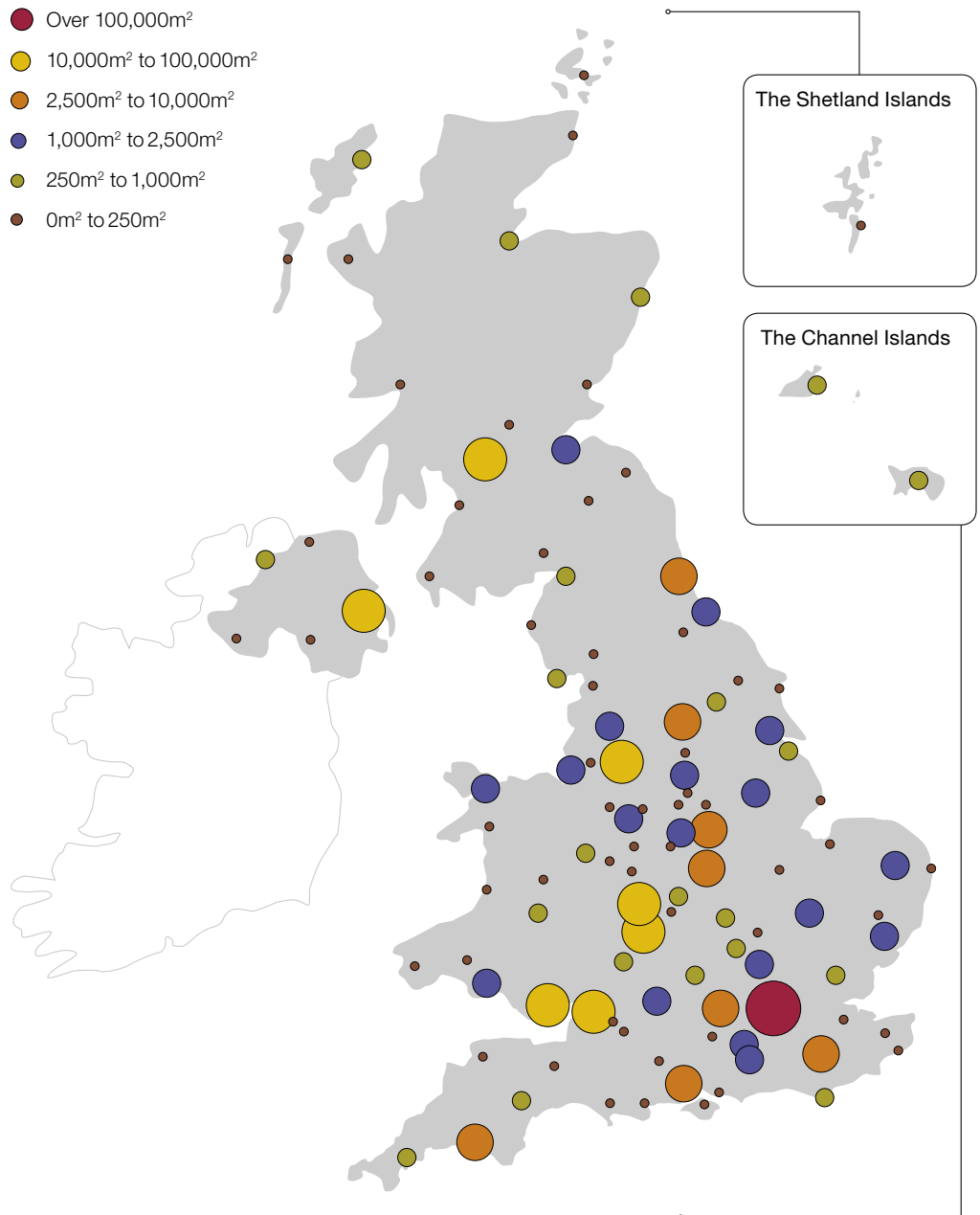
1.13 The BBC's estate in the UK supports its domestic broadcasting operations and its commercial subsidiaries and contractors. In 2013-14, it accommodated around 23,400 people on average during the year, including freelancers and staff employed in its subsidiaries. The BBC sublets 4% of its estate to its subsidiaries and a further 4% to external users.

¹ The BBC counts properties at 'campus' sites such as the Media Village in West London and Media City in Salford as one building in its estates data.

Figure 4

The BBC's estate at 31 March 2014

The BBC has a national network of buildings that are concentrated in the main population centres



Note

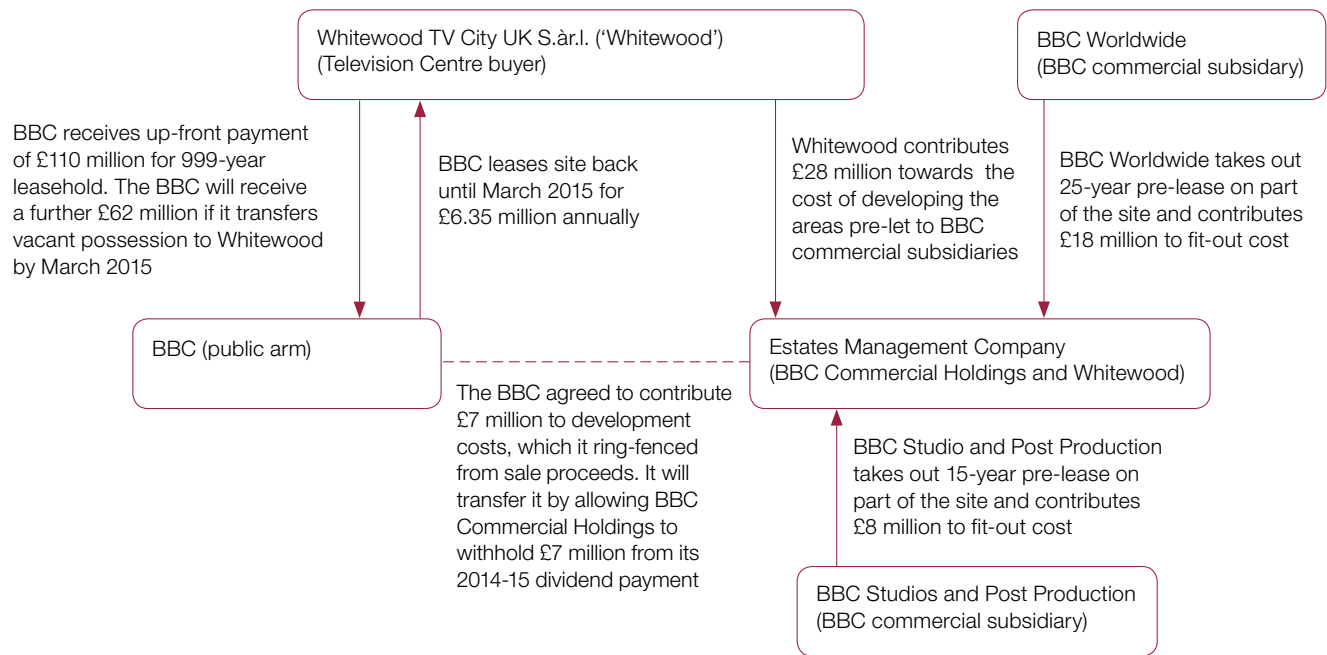
1 In locations such as London, Cardiff, Belfast and Glasgow, where the BBC has several buildings, we have grouped them. The number of sites shown in this map is therefore less than the total number of buildings in the BBC's estate.

Source: National Audit Office using BBC data

Figure 5

The sale of Television Centre: structure of Television Centre sale

The BBC sold Television Centre in 2012 but leased it back temporarily



The BBC sold Television Centre to the Whitewood, which is a joint venture between Stanhope, AIMCo, and Mitsui Fudosan, in July 2012. The BBC temporarily leased it back until March 2015 to allow time to decommission the site and relocate staff, but handed over early possession to Whitewood in October 2014. The deal included future commitments made by BBC commercial subsidiaries to lease parts of the site. There is also an option for Whitewood to purchase the freehold for £1 million.

Whitewood agreed to pay the BBC Group £200 million, of which £172 million was to be paid to the BBC's public service broadcasting operation. The remaining £28 million was for the BBC's commercial subsidiaries, as a contribution towards the cost of developing the parts of the site that they pre-let. The sale price was more than double what the BBC's advisers valued the site at in August 2008 and generated a profit of £78 million. The BBC sought to increase the sale proceeds by agreeing to partner with Whitewood to help it gain planning permission. The BBC also gave Whitewood a guaranteed rental income by getting its commercial subsidiaries – BBC Worldwide and BBC Studios and Post Production – to pre-lease parts of the site. The BBC estimates that these pre-leases were worth at least £50 million.

The BBC and Whitewood estimated that it would cost up to £61 million to develop the parts of the site that the BBC's commercial subsidiaries pre-leased. As part of the deal, £7 million from the sale proceeds that Whitewood paid to BBC public service broadcasting was ring-fenced as a contribution to development costs. The BBC, based on professional advice, concluded that this contribution, and the £28 million paid directly by Whitewood, was set at commercially appropriate levels to fund the development work that was needed before the BBC's commercial subsidiaries could occupy the site under their lease terms. To comply with fair trading rules, the BBC plans to transfer the £7 million contribution by allowing BBC Commercial Holdings to deduct £7 million from the 2014-15 dividend it will pay the BBC. The BBC told us that it initially agreed to meet any cost overruns but its commercial subsidiaries subsequently took over responsibility for meeting any overruns.

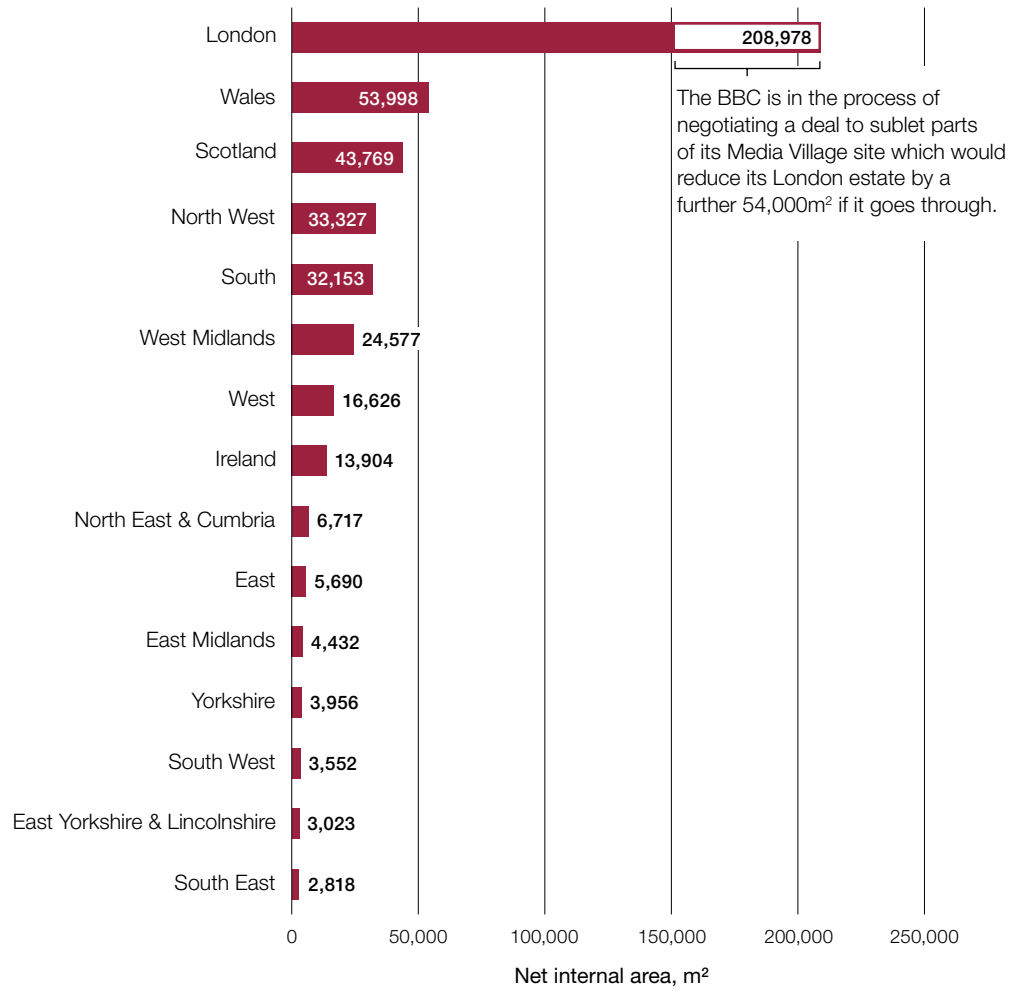
The sale included clauses under which the BBC can potentially receive further income from Whitewood if the site increases in value above certain limits. It is too early to tell whether this will generate any further income for the BBC.

The deal is financed by overseas investors using Luxembourg-based investment companies. The BBC and BBC Trust were informed of this structure through due diligence work and obtained legal advice that the structure was commercially appropriate.

Source: National Audit Office based on review of BBC documents

Figure 6
Regional distribution of the BBC's estate

A significant proportion of the BBC's estate is in London



Notes

- 1 Includes vacant space.
- 2 Excludes Television Centre.

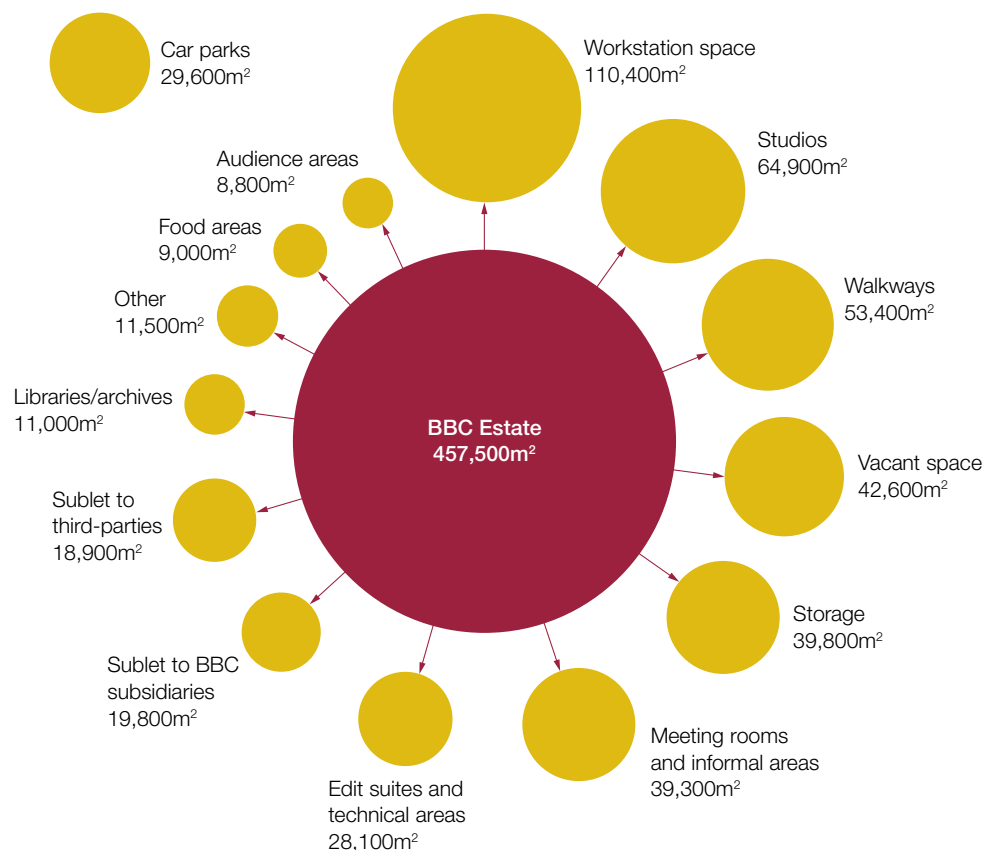
Source: National Audit Office using BBC data

1.14 Figure 7 shows that the two main uses for the BBC's estate in March 2014 were workstation space (110,400 square metres) and studios (64,900 square metres). Most buildings in the BBC's estate have both office and studio space, although some are single use.

1.15 The BBC also has property interests outside the UK. Its overseas network of news bureaux, funded by the licence fee, cost around £12 million a year to operate. However, because the BBC's overseas estate represents a relatively small part of its spend on property, we excluded it from the scope of our review.

Figure 7
What the BBC used its estate for as at September 2014

The BBC's main use of space is for offices and studios (m²)



Notes

- 1 All figures expressed as net internal area except for car parks, which is the gross area.
- 2 The estate also includes a further 101 sites including locations for aerials, masts and dishes.

Source: National Audit Office using BBC data

Part Two

The cost of modernising the estate

2.1 Here we examine:

- the BBC's performance against the target it set in 2008 to spend no more than 6% of licence fee income on its estate;
- how the cost of running the BBC's estate compares with external benchmarks; and
- other costs related to the BBC estates strategy.

The BBC's cost baseline

2.2 In 2013-14, the BBC spent £273 million on property, net of rental income from commercial subsidiaries and third parties (**Figure 8** overleaf). This was equivalent to 7.3% of its annual licence fee income. At 31 March 2014, the value of the estate on the BBC's balance sheet was £839 million of which £712 million related to leases on property.

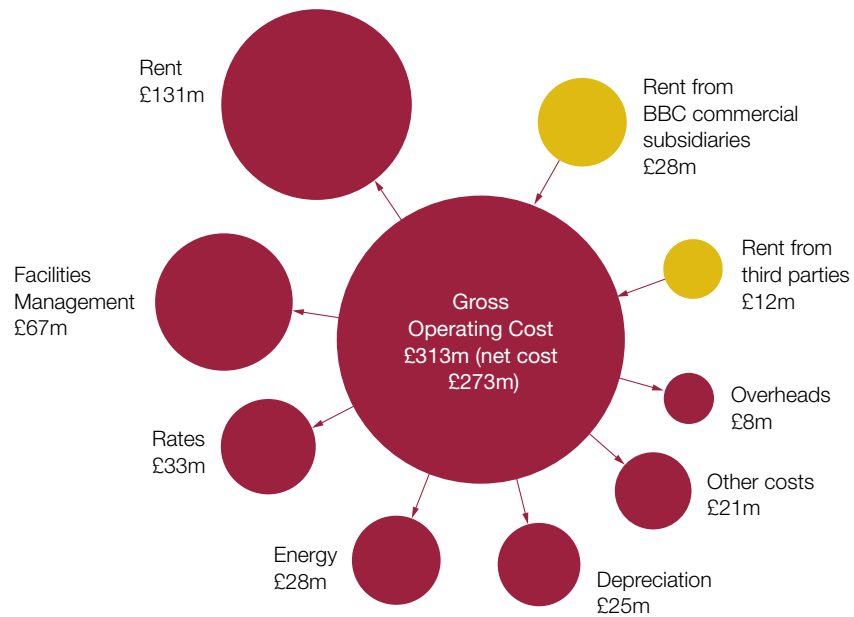
2.3 In 1998, the BBC's Board of Governors approved the long-term property strategy on condition that it would not increase estate costs or reduce money spent on making programmes. The BBC set a baseline of £259 million against which to monitor compliance with this condition. This was the total gross cost of running its UK estate in 2001-02 plus the opportunity cost of keeping freehold properties. KPMG reported in an internal review commissioned by the BBC in 2005, that the BBC had remained within the baseline, after adjusting it for inflation and changes in headcount.

2.4 In February 2008, the BBC Trust approved a new target that the BBC's Executive Board had adopted to monitor and manage estate costs. The new target was to keep the cost of operating the estate, net of rental income from commercial subsidiaries and third parties, at or below 6% of licence fee income by 2013. This was the proportion of licence fee income that the BBC spent on operating its estate in 2006-07. The target was therefore consistent with the BBC's aim not to increase spend on property above existing levels. However, the target was not based on any assessment of what the estate should cost an organisation of the BBC's size operating in the broadcast sector at that time.

Figure 8

Where the money went in in 2013-14

Rent payments accounted for 42% of gross estate running costs



Source: BBC data

Performance against targets

2.5 The cost of running the BBC's estate has exceeded the 6% target (**Figure 9**). The percentage of licence fee income spent on property peaked at 8.1% in 2012-13, largely as a result of increased transitional costs of vacant properties scheduled for disposal, but fell back to 7.3% in 2013-14, when the BBC spent £273 million on running its estate.

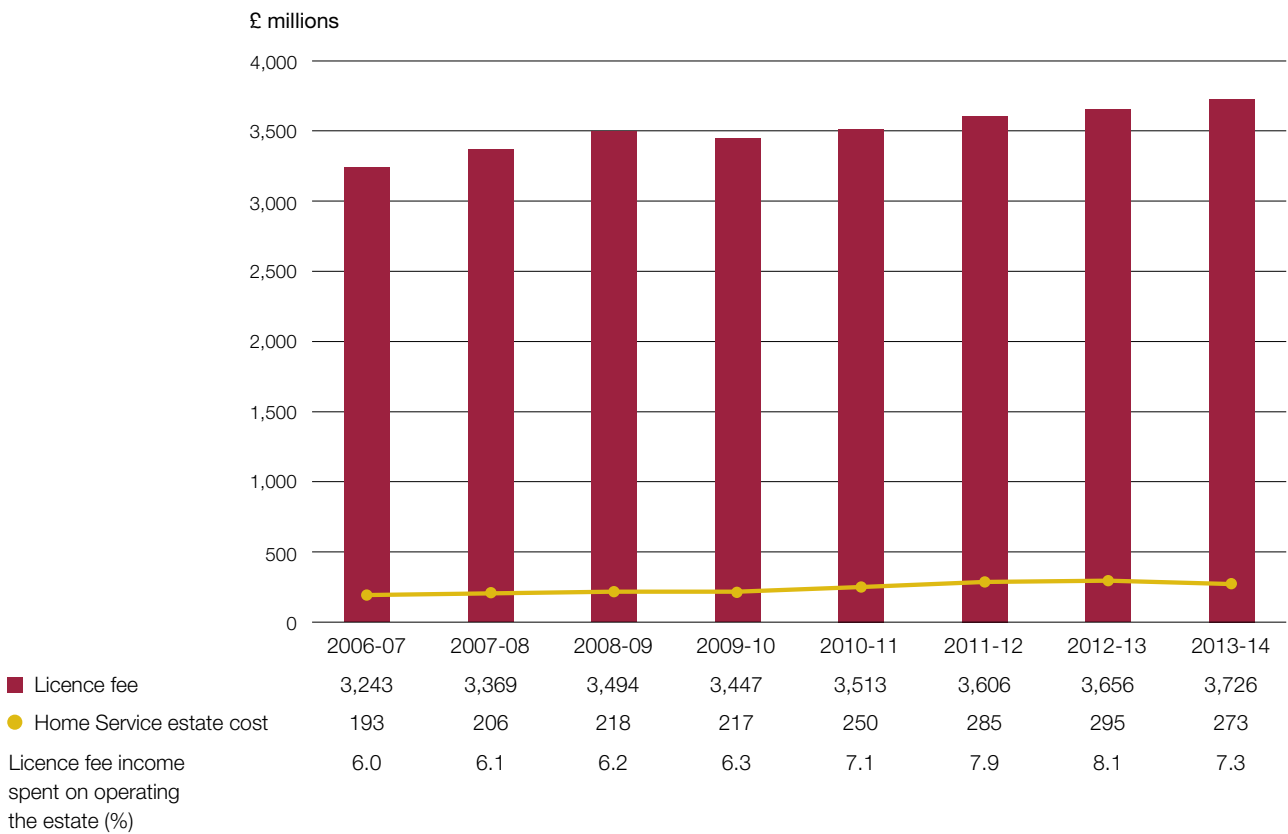
2.6 The long-term increase in running costs is largely due to the BBC's decision to switch from freehold properties, on which it did not have to pay rent, to leaseholds. The BBC adopted this strategy so that it could:

- spread the up-front cost of modernising its estate;
- meet its commitment not to divert funds from making programmes; and
- avoid borrowing that would count against the £200 million limit set by its Royal Charter.

Figure 9

Changes in licence fee income and the cost of operating the BBC estate

Spend on estates grew at a faster rate than increases in licence fee income from 2006-07 to 2012-13



Notes

- 1 Figures not adjusted for inflation.
- 2 Estate cost is net of rent received from commercial subsidiaries and third parties.

Source: National Audit Office using BBC data

2.7 The largest new leasehold commitment the BBC took on was Broadcasting House, its UK headquarters. This site became fully operational in early 2013 after a 10-year redevelopment of the existing site. The BBC spread the £1 billion development cost by selling a 150-year lease of the original building and taking out a 30-year sub lease on the new site. The site cost £89 million to run in 2013-14. This was 33% of the total annual cost of running the BBC's estate in the UK. Other new leases contributed to rising costs. These included a new development at Media Village in West London, Media City in Salford and Pacific Quay in Glasgow (**Figure 10**). By taking long leases on these sites, the BBC fixed a large proportion of its gross estate costs for the foreseeable future, although subletting surplus space reduces the net cost. The BBC reported in its 2013-14 financial statements that at 31 March 2014, its liabilities for future lease payments, most of which related to property, were £3.1 billion.

Figure 10

Annual running cost of the BBC's largest new leasehold sites

The BBC made large financial commitments to fund its estate strategy, with its most expensive site representing 33% of estates operating costs

Property	Annual running cost 2013-14 (£ million)	Share of total running cost (%)	Date leasehold expires
Broadcasting House, London	89	33	July 2033
Media Village, London	39	14	March 2035
Media City, Salford	21	8	September 2029
Pacific Quay, Glasgow	15	5	July 2034
Total	164	60	

Note

- 1 The gross running cost of the Media Village is £47 million. The BBC receives income from third parties it sublets areas of the site to, giving a net running cost to the BBC of £39 million.

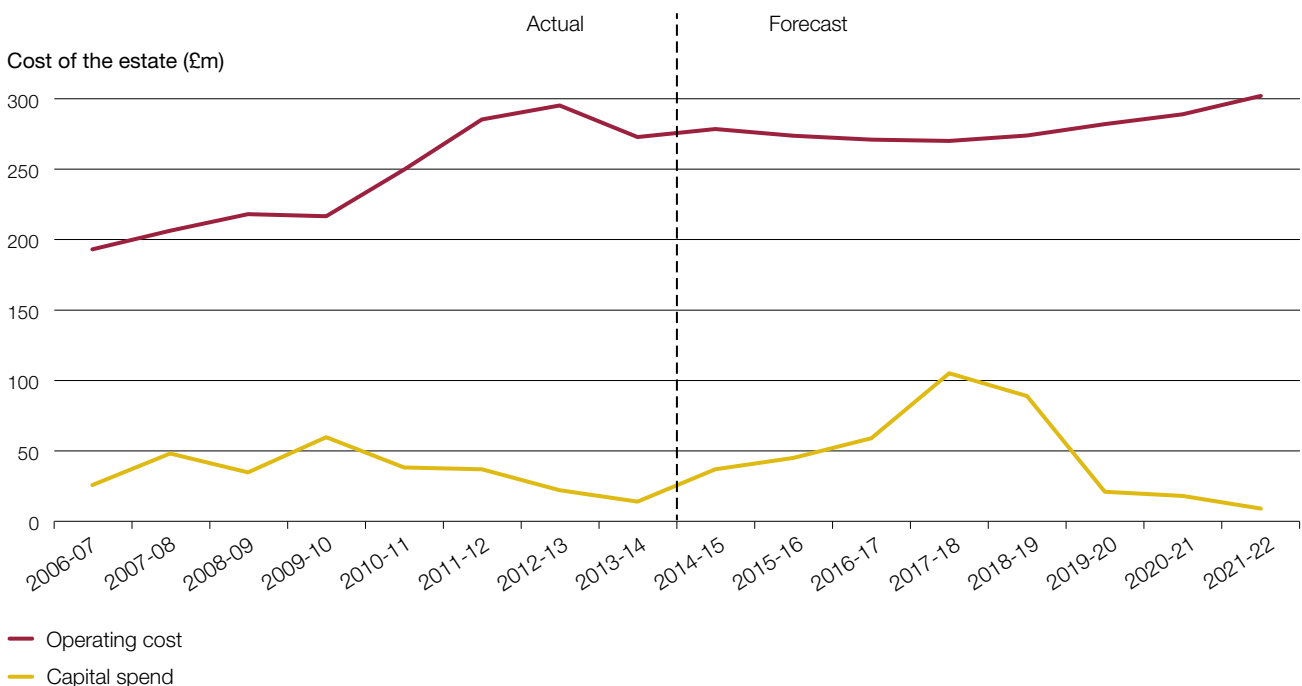
Source: National Audit Office using BBC data

2.8 By using long-term lease payments to spread development costs, the BBC kept capital costs low relative to the scale of its property developments (**Figure 11**). The BBC plans to increase capital spend until 2017-18 to help fund the renewal of its estate in Cardiff.

2.9 The target and reporting against it did not separate out the transitional costs associated with implementing the property strategy. The BBC told us that increased running costs partly reflected the transitional cost of paying for vacant buildings earmarked for disposal and newly-occupied buildings. We found that the BBC had not, however, monitored transitional costs or reported them to the Executive Board or the BBC Trust. The target itself also did not take account of transitional costs in the year it was set. Transitional costs in 2013-14 were £43 million. Deducting this from costs in 2013-14 gives a 'core' running cost of £230 million. This was equivalent to 6.2% of licence fee income.

Figure 11
BBC estate costs

The BBC modernised its estate while keeping capital spend proportionally low by financing investment through long leases and paying increased rent



Note
1 Figures not adjusted for inflation.

Source: National Audit Office using BBC data

2.10 The BBC Executive asked the BBC Trust's Finance Committee in both January 2010 and November 2011 for approval to increase the target from 6% to 8%, to take account of the financial impact of selling freeholds and replacing them with leaseholds. The Finance Committee concluded that it was not the right time to make a decision on rebasing targets within the property strategy, which could be revisited at a later stage. The BBC Executive continued to report to the BBC Trust on performance against the 6% target. Our review of the BBC's internal reporting on property costs suggests that the BBC Executive considered the target to be unachievable. We also found that the investment cases for major property projects that we examined did not refer to the target, even though it was the main consideration for reporting to the BBC Trust on property costs. The target also did not take account of the October 2010 settlement that froze the television licence fee until 2017.

2.11 In February 2014, the BBC finalised an updated property strategy. It replaced the 6% target with a new long-term target to keep any increase in estate costs below increases in the retail price index. Its long-term goal that it set in 1998 to modernise its estate without increasing spend on property remained unchanged. The BBC stopped reporting on performance against the original target (paragraph 2.3) when it introduced its new 6% target. However, in its 2013-14 property strategy, the BBC produced calculations that suggested it had met the earlier target that it had set 16 years previously.

Performance against benchmarks

2.12 Each year since 2010, the BBC has compared the largest 23 occupied buildings in its estate with other organisations' buildings of broadly similar types and locations, excluding specialist space. The latest benchmarking data, covering 2012-13, show that the annual running cost per person, including freelancers and contractors, at the BBC's largest sites was £6,628. This was 14% higher than the external benchmark of £5,810. The cost per square metre, at £649, was 32% higher than the external benchmark. The BBC told us that its main cost measure was the overall cost of its estate and that the cost per square metre was not a primary target.

2.13 The BBC's costs are significantly distorted by the high running cost of Broadcasting House – £1,422 per square metre in 2012-13; this was nearly three times the external benchmark (**Figure 12**). If Broadcasting House is excluded from the figures, the cost for the rest of the estate was £426 per square metre, 14% below the benchmark. In response to our findings, the BBC commissioned benchmarking that showed that the cost of running Broadcasting House in 2013-14 was 49% higher than the benchmark for the same part of London.

Figure 12

How costs at some of the BBC's main sites compare with external benchmarks

The running cost per square metre of Broadcasting House is nearly three times higher than the external benchmark

Site	Actual 2012-13 property cost	2012-13 IPD calculation of running cost	Running cost per FTE using IPD benchmark		Running cost per square metre using IPD benchmark	
	(£m)	(£m)	(£)	(% variance)	(£)	(% variance)
IPD benchmark			5,810	-	493	-
BBC estate that is benchmarked			6,628	+14	649	+32
Broadcasting House	86.4	74.8	13,828	+238	1,422	+289
Media Village	35.2	32.0	3,222	-44	351	-29
Salford	20.8	17.7	6,052	+4	571	+16
Pacific Quay	15.0	13.2	10,928	+88	531	+8
Mailbox	6.1	5.8	12,967	+123	665	+35
Bristol	3.1	4.1	4,779	-18	249	-49
Cardiff Broadcasting House	3.6	4.5	4,047	-30	178	-64
Belfast Broadcasting House	1.1	5.6	7,212	+24	432	-14

Notes

- 1 Benchmark data obtained by the BBC from IPD (the Investment Property Databank), which is a company that provides performance analysis data on real estate.
- 2 Actual costs are what the BBC spent on running each site. The benchmarked cost removes specialist costs related to the BBC's broadcasting operations and the cost of some specific design features to make its properties more comparable with external benchmarks.
- 3 The benchmarked cost includes an estimate of the rental value of freehold properties to make them comparable with other organisations.
- 4 'FTE' is a full-time equivalent employee.
- 5 The BBC excluded White City 1 from the benchmarked cost of the Media Village as it is vacant, which reduces the benchmarked cost of the site.

Source: National Audit Office using BBC data

Part Three

BBC estate usage

3.1 Here we examine:

- how the capacity of the BBC's estate compares with its current requirements;
- the BBC's progress in disposing of vacant property; and
- the BBC's flexibility to adapt its estate to meet future needs.

Capacity of the BBC estate

3.2 The BBC has exceeded a target it set in 2007 to reduce the size of its estate by 150,000 square metres to 480,000 square metres by 2015. Following the early transfer of Television Centre to its new owner in October 2014, the BBC's estate fell by 172,000 square metres to 457,500 square metres.

3.3 The reduction in occupied space has exceeded the reduction in staff numbers, which suggests space is being used more efficiently. Between 2006-07 and 2013-14, the number of people working at BBC sites, including freelancers and staff employed by commercial subsidiaries fell by 5%, from 25,500 to 24,200 in 2013-14, compared with a 27% reduction in occupied space (**Figure 13**).

Efficient use of the BBC estate

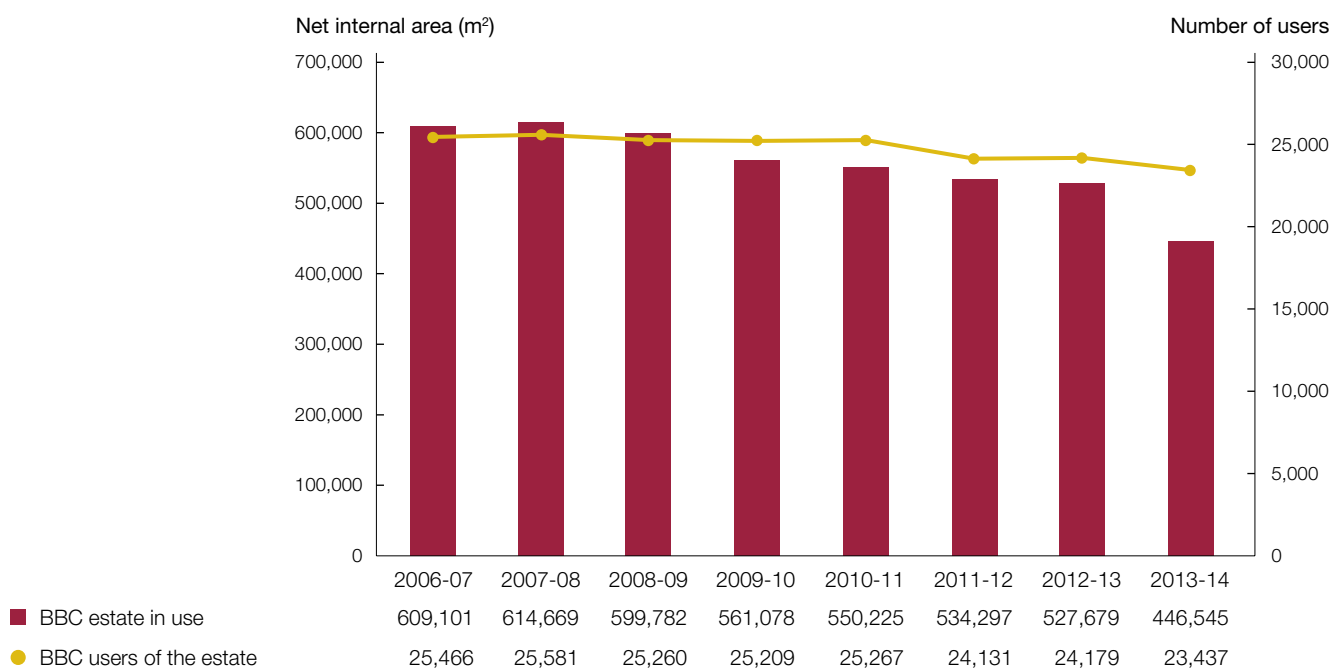
3.4 To assess whether its estate is being used efficiently, the BBC has:

- set usage targets based on industry good practice;
- carried out annual benchmarking to compare its use of space with organisations that have broadly similar buildings, excluding specialist areas; and
- commissioned detailed reviews of how some of its main sites are used.

3.5 In 2007-08, the BBC introduced a target ratio of 10 desks for every 12 people, with a 'stretch target' of 10 desks for every 15 people. It also set a target to reduce the area per person from 14.8 square metres to 8.3 square metres.

Figure 13
BBC estate trends

The size of the BBC's occupied estate has fallen since 2006-07 by a greater proportion than headcount



Note

1 Occupied estate in 2013-14 excludes Television Centre.

Source: National Audit Office using BBC data

3.6 The BBC has made progress towards these targets. Its desk ratio of 10.8:12 is close to its target of 10:12. However, the area per person was 12 square metres per person, higher than the external benchmark of 11 square metres, and significantly above its ambitious target of 8.3 square metres (**Figure 14** overleaf).

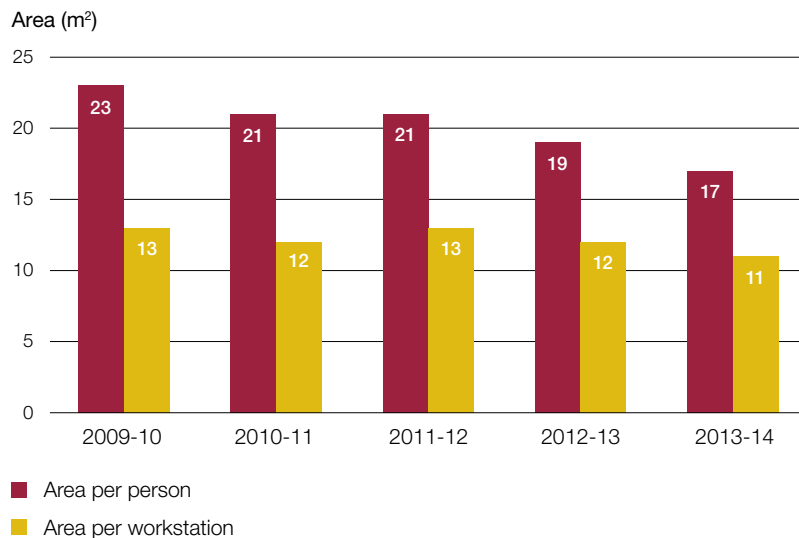
3.7 The BBC has improved its usage significantly at some sites, particularly in London. In March 2014, its main London sites, excluding vacant space, had on average 8.6 square metres per person compared with 12.8 square metres at its main sites outside London.

3.8 The BBC has also carried out detailed surveys to identify opportunities to improve usage at some of its larger sites. The BBC's analysis from September 2014 suggests that it could improve usage at its main sites by 12%² (**Figure 15** on page 29). The BBC plans to increase occupancy at some sites by relocating staff from its Media Village in London and then subletting that site. If the BBC completes these plans, it would on current estimates reduce surplus capacity to 6%. The BBC plans to release rather than use surplus capacity at its sites in the Media Centre, Cardiff and Belfast. The BBC has not developed plans for all sites that have surplus capacity – for example, Pacific Quay in Glasgow.

2 Surplus estate is the BBC's estimate of how much extra capacity it has in some of its main buildings.

Figure 14
Trends in use

During the past five years, the area per person and per workstation have reduced



Source: National Audit Office using BBC data

3.9 The BBC estimates that its Salford site has capacity for 3,270 staff. Around 2,900 staff work at Salford. Information collected by the BBC on entry and exits through security barriers over a four week period in 2014 suggested that no more than 1,690 people were on site at peak times.

3.10 The BBC has incomplete information on how many people work at some buildings, particularly freelancers and casual staff. It has carried out detailed surveys of desk use at several of its main sites. However, these survey methods do not necessarily capture the dynamic nature of the business and the need for space. Changing work practices and project teams can quickly lead to changes in use and capacity. Flexible working practices mean that staff registered at particular locations can work from other sites or from home, as the BBC's own work at Salford has illustrated. The BBC informed us that it intends to install a system that will provide it with more accurate information on the number of people using its main sites.

Figure 15

The BBC's estimates of estate capacity

The BBC has surplus capacity in its estate

Site	Site capacity	Number of people on site	Spare capacity
Broadcasting House and adjacent buildings	6,265	6,265	0
Media Village	5,847	5,247	600
Elstree	600	300	300
Pacific Quay	1,706	1,206	500
Cardiff Broadcasting House	1,500	920	580
Belfast Broadcasting House	800	709	91
Salford	3,270	2,920	350
Mailbox	800	449	351
Bristol	860	853	7
Caversham	500	303	200
Leicester, Wood Norton and Newcastle	475	225	250
Total			2,558

Notes

- 1 The BBC previously estimated capacity of Broadcasting House was 6,500.
- 2 Capacity for the Media Village excludes White City 1, which the BBC mothballed pending disposal.
- 3 Pacific Quay would require modification to accommodate additional staff.
- 4 The BBC plans to reduce the size of its estate in Belfast and Cardiff rather than increase occupancy.
- 5 The BBC previously estimated capacity of Salford was 4,000.

Source: National Audit Office using BBC data

Managing vacant estate

3.11 BBC Workplace (a department within the BBC) manages the disposal of vacant estate. From 1998 to March 2014, the BBC disposed of around 433,000 square metres and received £310 million. It achieved this by:

- vacating premises at the end of their leases, such as Bush House in London;
- assigning leases (when allowed by the lease terms), such as Pebble Mill in Birmingham; and
- selling freehold sites such as Woodlands and Television Centre in London.

3.12 In 2007-08, the BBC set a target to hold no more than 5% of its estate as vacant.³ The size of its vacant estate has fluctuated with the implementation of the BBC's property strategy. Vacant space peaked at around 28% in 2013-14 because the BBC had vacated Television Centre, 'mothballed' White City 1 pending disposal and had not yet sublet Henry Wood House. At September 2014, the area of vacant space was 9% of the estate. If the BBC manages to sublet parts of the Media Village in London that are surplus to requirements, its vacant estate will reduce further, to 2.6%.

Adapting to changing needs

3.13 The BBC needs an estate that can adapt quickly and cost-effectively to the changing needs of its business. There is often a trade-off, however, between flexibility and cost. The BBC's leases on its main sites, such as Broadcasting House, Pacific Quay and Salford, do not include break clauses. Break clauses provide more flexibility but can also increase the cost of renting sites that the BBC expected to occupy for the full lease term.

3.14 Changes in the BBC's estate needs have resulted in some sites, on which it has long leases, being underused or rendered surplus to requirements. For example, when the BBC moved into the Media Village in west London in 2004, it expected to remain there for 30 years. However, six years later the BBC developed plans to vacate the site and in March 2013 'mothballed' the oldest building on the site. The BBC plans to reduce the area it occupies to 23% of the whole site by the end of 2015. It expects that the terms of any sublet will allow it to cover its liabilities for the remainder of the 30-year lease while avoiding other occupancy costs such as utilities and rates.

³ Vacant estate comprises vacant buildings that the BBC has earmarked for disposal and areas of buildings which are not in use.

3.15 Long leases and local market conditions have sometimes prevented the BBC from releasing surplus space. For example, the BBC concluded that subletting vacant space in its Mailbox building in Birmingham (**Figure 16**) and part of Pacific Quay in Glasgow was not an option because of local market conditions. In January 2012, the BBC approved spend of £4.6 million in redundancy, relocation and related costs for relocating staff from Birmingham to Bristol and in February 2014 estimated the relocation costs of moving more staff back into Birmingham at around £8.6 million. The BBC plans to structure its new Cardiff site so that it can sublet individual floors if it no longer needs them.

Figure 16

Case example of an underused building – Mailbox, Birmingham

The BBC found Mailbox was surplus to requirements but was unable to release the site

In 2001, the BBC signed a 25-year lease on Mailbox in Birmingham and moved into the site in 2004. The site contained 20% more desks than the BBC had said it needed in its original business case. Four years later, the BBC proposed to relocate staff from Birmingham to Salford and Bristol. Successive staff relocations and cuts resulted in much of the site becoming surplus to requirements. In March 2014, the site had been over 40% empty for the previous 2 years. Subletting this vacant space was not viable because of local market conditions. Surplus capacity made it the second most expensive site per person to run, after Broadcasting House. The BBC plans to relocate staff from London to Birmingham in 2015 in line with its vision for this site and to increase its presence in the city.

Source: BBC

Appendix One

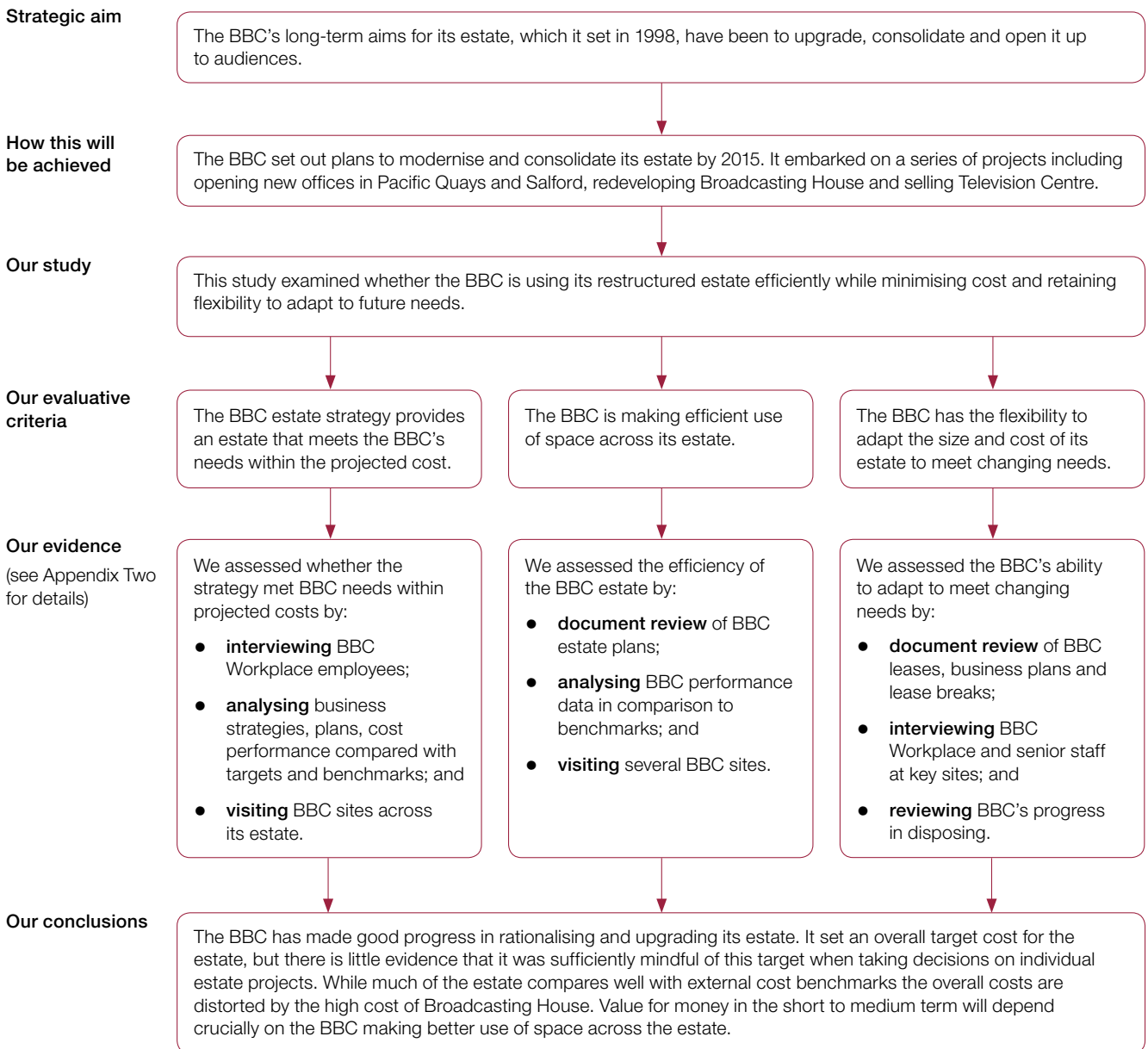
Our audit approach

1 This study examined whether the BBC is using its restructured estate efficiently, while minimising the cost and retaining flexibility to adapt to future needs to achieve value for money. We reviewed whether:

- the BBC estate strategy provides an estate that meets the BBC's planned needs within the projected cost;
- the BBC is making efficient use of space across its estate; and
- the BBC has sufficient flexibility to adapt the size and cost of its estate to changing needs.

2 We applied an analytical framework with evaluative criteria that considered whether the BBC's strategies and plans represented value for money for the licence fee payer. Our audit approach is summarised overleaf and our evidence base is described in Appendix Two.

Figure 17
Our audit approach



Appendix Two

Our evidence base

1 We reached our conclusions on whether the BBC's management of its estate represented value for money after analysing evidence that we collected between April and September 2014. We applied an analytical framework with evaluative criteria that considered what an optimal estate strategy would look like. Our audit approach is outlined in Appendix One.

Estate strategy

2 We reviewed the BBC's previous and current estate strategies and supporting documentation to establish the BBC's objectives for its estate and how it planned to achieve them.

Interviews with BBC estate managers

3 We carried out semi-structured interviews with senior staff in BBC Workplace, which is responsible for managing the BBC's estate. We also interviewed a representative from Interserve, the BBC's facilities management provider. We used these interviews to identify:

- the main sources of data on the BBC's estate and its performance;
- the BBC's approach to estate strategy planning and how estate planning interacts with the BBC's business strategy;
- the main estate targets, how they have changed over time and the drivers behind them;
- how the BBC decides which sites should be vacated, sublet or sold;
- the interaction between estate, technology and people planning; and
- how the BBC intended to deal with vacant or underused sites including case examples such as the Mailbox.

Analysis of property asset data

4 We obtained extracts from 'Archibus', which is the BBC's property asset database. We analysed the data to understand the size, type and location of the BBC's estate and triangulate the data with information contained in reports to the BBC's Executive Board and the BBC Trust on the performance of the BBC's estate.

5 We also reviewed estate usage surveys carried out by the BBC to identify the scope for improving usage and reducing costs.

Performance data

6 We collected information from quarterly property updates and other sources prepared by the BBC to compare performance data against the BBC's strategy and information contained in its 'Archibus' database.

7 We also examined external benchmarking data that the BBC had obtained from the Investment Property Databank (IPD). This benchmarking covered the cost and usage of the estate as well as sustainability metrics. The benchmark data was collected from organisations that had similar types of property with a mix of office and technical space. The organisations that provided benchmark data were:

AXA	National Australia Group Europe
Aviva	National Grid
BBC	Nationwide
Centrica	Prudential
Deloitte	Royal Bank of Scotland
EDF Energy	Santander
EON	Severn Trent
Friends Life	Standard Life
GSK	Transport for London
Law Society	Standard Life
Legal & General	RWE Npower
Marsh	

Site visits

8 We carried out site observations, interviews and focus groups at 10 BBC sites to understand how individual sites were used and managed, and the opportunities and constraints at each site. The sites we visited were:

- Broadcasting House
- Television Centre
- Media Village
- Elstree
- Cardiff Broadcasting House
- Bristol
- Mailbox
- Belfast (Broadcasting House and Blackstaff House)
- Pacific Quay
- Norwich.

On our site visits we:

- toured the site to identify how the BBC was using space, including any unique features or constraints;
- met staff responsible for the site strategy, to understand how the sites had been used and any planned changes; and
- met building users to understand their experience of working on the site and identify potential opportunities for improvement.

Other interviews

9 We interviewed staff in the Government Property Unit to obtain their perspective on recent developments and good practice in estate management.