



## **Management of the BBC's critical projects**

Report by the Comptroller and Auditor General  
presented to the BBC Trust Value for Money Committee,  
29 April 2016



National Audit Office

## Key facts

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**8**

the number of critical projects examined by us

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**£885.1m**

estimated total cost of seven of the eight projects in the portfolio (at February 2016). This estimate excludes one project where contracts have not been let

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**£1.9bn**

the BBC's estimate of the total financial benefit, over their expected lifetime, of delivering the eight critical projects examined by us

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**£3.7 billion** overall funding for the BBC in 2014-15

**6 out of 8** number of critical projects where the BBC had rated successful delivery as 'probable' or 'highly likely' as at February 2016

**1 out of 8** number of critical projects where the BBC had rated successful delivery as 'feasible' as at February 2016

**1 out of 8** number of critical projects where the BBC had rated successful delivery as 'in doubt' as at February 2016. In March 2016, the BBC informed us that it expected the outstanding issues to be resolved quickly.

**66 days** time it took reports on project progress to reach the Executive Board in 2013

**27 days** time it took reports on project progress to reach the Executive Board in 2015

# Summary

**1** The BBC is the UK's main public service broadcaster. It receives public funding from television licence fees, totalling £3.7 billion in 2014-15. In return, the BBC provides a range of public broadcasting services, including nine television channels, ten UK network radio stations, 40 radio stations for nations and regions, 28 international language services and BBC Online.

**2** The media sector in which the BBC operates is changing rapidly because of technological developments, new competition and shifting consumer behaviour. The BBC needs to adapt to these changes and achieve its strategic vision by improving its services, delivering them in new ways and simplifying how it is run. The BBC expects these improvements to enable it to serve audiences better while cutting costs.

**3** Projects and programmes are an important part of the BBC's strategic response to change. The BBC has grouped what it considers to be its most strategically important, complex and high-risk projects into a portfolio of 'critical projects', for enhanced attention by its Executive Board. There is also a larger portfolio of associate projects monitored by the BBC's central project management office. The BBC's list of critical projects changes over time as new projects start and existing ones are completed. The list of critical projects as at March 2015, which formed the focus for this study, is shown at **Figure 1** on pages 6 and 7.

**4** Some of our previous reports on individual BBC projects have highlighted examples of success, such as the BBC's completion of a major project to relocate several departments to Salford. But we have also reported on examples where there have been shortcomings in the BBC's oversight and delivery of projects. The most serious issues were associated with the BBC's Digital Media Initiative project. Weaknesses in oversight of the Digital Media Initiative included the lack of a single point of accountability, weaknesses in the internal assurance arrangements, a lack of clarity over what was to be delivered at each stage, and a lack of clear and timely reporting to the Board on performance. The BBC cancelled this project in May 2013, more than four years after starting it, after concluding that £98.4 million of the £126 million spent on it had been wasted.

**Figure 1**

## The BBC's critical projects

At March 2015, the BBC had eight critical projects<sup>1</sup>

Project	Description	Cost at February 2016 (£m)
End-to-End Digital	<p>This programme is intended to enable digital production, archiving and playout of BBC content to move from videotape to digital. It includes a number of sub-projects comprising a mix of in-house development and procurement from third parties. Major components include:</p> <ul style="list-style-type: none"> <li>• Digital Delivery and Archiving – the service which will receive and archive digital files (previously tape) and enable the BBC to search and retrieve programmes from their complete back catalogue. This part of End-to-End Digital includes elements that were part of the Digital Media Initiative project.</li> <li>• Playout – is a reprourement of a managed service which will deliver programmes to audiences as branded, linear TV channels that are compliant with the BBC's editorial and technical standards.</li> </ul>	<p>39.9<sup>2</sup></p> <p>176.8<sup>2</sup></p>
W12	This project involves relocating staff from parts of the BBC's estate in West London to other locations, including Manchester and Birmingham, and selling or subletting vacated space.	151.4
Wales Broadcasting House	This involves designing and building a new BBC broadcasting and production centre in Cardiff for BBC Wales, co-located with S4C. It aims to improve capability and deliver efficiency savings by reducing space, and providing modern technology in a new purpose-built building with integrated systems.	100 <sup>3</sup>
Newsroom Computer System	This will replace an existing newsroom system with a new one to maintain quality, keep pace with industry change and improve efficiency. It aims to provide an integrated news management system for preparing scripts and setting the programme running order. It is intended to enable journalists at the scene of stories to upload content, access information and contribute to stories more effectively.	105.2 <sup>2</sup>
MyBBC	This project aims to create a set of nine capabilities for use by BBC online services including iPlayer and the BBC news website. It is intended to allow the BBC to collect more accurate data on audiences and provide programmes that reflect their preferences. The project uses an agile methodology.	75.2
E20	This project will replace the external film set and core infrastructure for EastEnders at BBC Elstree with a new set on the existing site. The existing set was built in 1985 and has passed the end of its useful life. The set is to be replaced because film technology has advanced beyond the set's capability and because of health and safety issues. The BBC plans to enlarge the set to provide new locations.	Contracts subject to negotiations <sup>4</sup>
Smart	The BBC established this project to replace and integrate business systems and software used by finance, procurement, human resources and the BBC Academy to reduce costs and improve processes.	55.7 <sup>2</sup>

**Figure 1 continued**

## The BBC's critical projects

Project	Description	Cost at February 2016 (£m)
Aurora	This project aims to procure and integrate IT services across the BBC. It is intended to move the BBC from a single-supplier to a multi-supplier model for IT services, coordinated by an in-house service integration and management function.	31.9
	One of the procurement contracts signed in early 2016 is for the connectivity service, comprising all video, audio, data and telephony circuits available in BBC public services buildings in the UK, circuits to its partners for playout and distribution, and circuits to its overseas bureaux.	149.0 <sup>2</sup>
<b>Total</b>		<b>885.1</b>

**Notes**

- 1 A ninth critical project (BBC Store) was being undertaken by a commercial subsidiary of the BBC, which is not funded by the licence fee. We do not have rights of access to examine activities carried out by the BBC's commercial subsidiary that does not use public money, and that project was therefore excluded from our study.
- 2 These figures include operating costs: Digital Delivery and Archiving (6 years); Playout (10 years); Newsroom Computer System (12 years); Smart (5 years); and Aurora connectivity service (10 years).
- 3 The projected cost for Wales Broadcasting House are expected to be in the order of £100 million. Contracts are yet to be let and therefore an exact figure is not yet available.
- 4 Contracts for E20 are subject to commercial negotiations. Due to the limited number of potential suppliers, the cost of the E20 project remains commercially sensitive.

Source: National Audit Office review of BBC project documentation

**5** In response to the failure of its Digital Media Initiative project the BBC took steps to overhaul its reporting and oversight arrangements for critical projects. It reported in June 2014 that it had introduced simpler and stronger corporate governance arrangements for projects. In its response to the Committee of Public Accounts' report on the Digital Media Initiative, the BBC confirmed that all critical projects had been allocated a single point of accountability. This individual was to be equivalent to the senior responsible owner in government departments. The BBC defines the sponsor as "the individual for whom the project is undertaken and who is accountable for its benefits and outcomes", in its internal guidance.

### Scope and approach

**6** This report examines the performance of the BBC's critical projects and the effectiveness of the BBC's oversight following the changes it made to project governance and reporting in 2014. We examine:

- the performance of the BBC's portfolio of critical projects, as reported to the Executive Board and the BBC Trust (Part One); and
- what the BBC does to check that performance information on its critical projects is accurate, clear and up-to-date, and that the projects are on course to deliver planned benefits to time and cost (Part Two).

## **Key findings**

### Project delivery

**7 The BBC's performance reporting to its Executive Board and the BBC Trust indicates that by February 2016 it rated delivery of six of the eight critical projects to be 'probable' or 'highly likely'.** The BBC rated successful delivery to be feasible for one project (Aurora), and 'in doubt' for another (MyBBC). In March 2016 the BBC informed us that it expected the outstanding issues on MyBBC to be resolved. The BBC rated achievement of planned outcomes as 'probable' or 'highly likely' for seven projects and 'feasible' for one (E20) (Figure 4).

**8 The BBC has been optimistic about timetables for completing projects when approving business plans.** Five of the eight projects in the portfolio have been delayed compared with the timetable approved in the outline business plan, which suggests optimism bias at the business plan stage. One project has been delivered early. Where delays have occurred, delays have tended to happen during the early stages of projects. In one delayed case, delaying the procurement, based on BBC estimates, has led to an increase in expected benefits. Overall, the BBC has sought to remain within approved budgets by re-examining planned costs and its approach to delivery. In only one case (Smart, which aimed to replace and integrate systems used for finance, procurement, human resources and training) were delays associated with significant cost increases, from £39 million to £55.7 million, during implementation. In this case forecast benefits increased by £12.4 million (Figure 8).

### Project oversight

**9 The BBC has strengthened its oversight arrangements for critical projects in response to the lessons learned following the failure of the Digital Media Initiative.** The BBC has increased the remit and capability of its central project management office, which now provides guidance, support and assurance for projects and challenges the information supplied by critical project teams. It has increased the frequency of reporting on project performance to the Executive Board from quarterly to monthly. It has also reduced the time taken to get performance information to the Board, from 66 days on average between January 2010 and March 2013 to 27 days between October 2014 and September 2015. Increasing the frequency of reporting and reducing the time taken to produce reports has helped the Executive Board to recognise and respond to problems more quickly than before (paragraphs 2.12 to 2.14).

**10 The assurance arrangements have worked well where projects have been clearly defined, but there remain some weaknesses in defining responsibilities and expected benefits.** Six of the projects we examined had a clear scope, defined benefits, and it was clear from the documentation who was accountable for delivery. For the most part, the assurance arrangements were effective in challenging potential weak points in those projects. For MyBBC, responsibilities and expected benefits were less clearly defined early in the project, and for End-to-End Digital, project documentation was not clear on the extent to which accountability for the programme included accountability for the delivery of significant components of the programme, including their expected benefits (paragraphs 2.15 to 2.17).

### **MyBBC**

- **Project documentation for MyBBC did not delineate sufficiently between the responsibilities held by senior people within the project.** Project documentation, including monthly reports to the Executive Board, named the 'business sponsor' as the single point of accountability. BBC guidance normally regards the 'executive sponsor', a different person, as the single point of accountability. In this instance, the evidence suggests that the executive sponsor had chaired the MyBBC steering group meetings. However, in the investment case the BBC named the 'business sponsor' as the single point of accountability, whereas the accompanying summary document named the 'executive sponsor' as the single point of accountability. In August 2015 the BBC clarified senior responsibilities and published an assurance plan, which clearly defined senior project roles.
- **The BBC set targets for MyBBC in terms of numbers of registered users but did not create a plan to measure benefits until late in the project.** MyBBC is an 'agile' project that was designed to define benefits as the project progressed, but two years into the project it still was not clear what the BBC expected MyBBC to achieve overall. In January 2016 the BBC produced a paper that showed how it was tracking and measuring benefits. The BBC informed us that it hoped to have the full benefits plan signed off by the Executive Board in April 2016. So far the MyBBC project has delivered new capabilities, including the ability for users to sign in when accessing services via digital devices and the ability to make recommendations to these users tailored to individual preferences on iPlayer, news and sport.

### **End-to-End Digital**

- **The BBC designated a single person, at Executive Board level, as accountable for delivery of End-to-End Digital, but it was not clear from the documentation what this accountability encompassed.** End-to-End Digital is, in effect, a portfolio of project activities. However, project documentation was not clear on the extent to which accountability for the programme included accountability for the delivery of significant components of the programme, including their expected benefits. The project included a re-procurement of the BBC's Playout technology which the BBC expects will result in savings of £42.8 million compared to the cost of the previous contract, which involved a videotape-based process. The lack of clear documentation covering the scope of accountability for this project does not seem to have undermined the procurement process in this instance; however, such a weakness repeated on other projects could create risks for successful delivery.

### **Strategic outcomes**

**11 There is scope for the BBC to focus greater attention on how far the portfolio as a whole supports progress towards delivering the BBC vision.** The BBC's critical project portfolio has helped focus the attention of the Executive Board on vital projects. However, the Board needs a greater top-down focus on how the projects as a portfolio are performing against delivering the BBC vision. In particular (paragraphs 2.21 to 2.25):

- **Board review of the critical project portfolio:** The Executive Board, as a group, does not routinely review the composition of the critical project portfolio. The BBC expects the critical projects portfolio to support corporate decision-making by enabling the Executive Board to prioritise proposals and monitor performance collectively. The BBC informed us that the Managing Director of Finance and Operations reviewed the composition of the portfolio on behalf of the Executive Board. But the evidence we collected suggests there is scope for board members to take a more active role in reviewing which projects are the most critical to achieving the BBC's strategy, and therefore should be included in the critical projects portfolio.
- **Delivering benefits:** While the BBC has managed interdependencies between projects in terms of their potential to impact on delivery timetables, it has paid less attention to whether the portfolio as a whole will deliver those benefits crucial to the delivery of the overall BBC vision. The technological changes being implemented by the BBC are intended to enable it to become a more integrated business. As part of its vision, for example, the BBC is aiming to work more closely with other organisations, and to make more use of locally generated and user-generated content. As a result, projects will increasingly need to provide infrastructure that is integrated and supports delivery of the overall BBC vision. There is scope for the Executive Board to increase its focus on how the BBC projects work together to achieve strategic goals.



## Conclusion on value for money

**12** The BBC has strengthened oversight of its critical projects following the serious shortcomings that we identified in the oversight and delivery of its Digital Media Initiative project. It now reports more frequently on project performance to the Executive Board and has reduced the time taken to prepare reports. For the six projects that had clear milestones and quantified benefits, improved reporting and oversight have helped bring issues to the Board's attention more quickly than before and supported timelier decisions about whether to change or delay projects.

**13** While progress has been made, further concerted action is needed. The BBC's assurance arrangements cannot give confidence that projects will achieve value for money if performance and expected benefits are not defined and reported clearly from the start. The BBC needs to do more to manage its critical projects as a coherent portfolio. This will be crucial if the BBC is to achieve value for money from its assurance arrangements.

## Recommendations

- a** **The BBC should ensure that it is consistent in how it describes project responsibilities.** In one case there was potential for confusion around the roles of various sponsors. In a second case the scope of the executive sponsor's responsibility was unclear in the project documentation. This was not helped by inconsistent use of terminology to describe the various roles.
- b** **The BBC should ensure that reporting on critical project performance to the Executive Board and the Trust is always clear and comprehensive.** We found that reporting to the Executive Board was unclear in two instances about progress against plans, about what more needed to be done and the link between what the projects were delivering and how much had been spent on them.
- c** **The BBC should prepare benefits realisation plans for all of its critical projects at an early stage and monitor progress against them.** We have previously emphasised the importance of projects setting out the intended benefits at the outset and developing benefits realisation plans as projects progress. For projects where the desired outcome and outputs may be difficult to specify at the outset, the assurance arrangements should be sufficiently robust to ensure intended outputs and outcomes are defined sufficiently quickly.
- d** **The Executive Board should discuss the composition of the critical projects portfolio routinely and collectively.** We consider that there is scope for all members of the Executive Board, including non-executives, to take a more active role in deciding which projects are included in the portfolio.