



National Audit Office

Report

by the Comptroller
and Auditor General

British Broadcasting Corporation

Managing the BBC's workforce

Key facts

18,920

average full-time equivalent payroll staff in the BBC's public service broadcasting functions in 2015-16

£862m

expenditure on salaries and wages for the BBC's public service broadcasting payroll staff in 2015-16

319

senior managers in the BBC as at December 2016, compared to 540 in 2010-11

- 4%** net reduction in the number of BBC payroll staff working in public service broadcasting between 2010-11 and 2015-16
- 6%** net real-terms reduction in the cost of salaries and wages for the BBC's public service broadcasting payroll staff between 2010-11 and 2015-16
- 3,400** BBC staff made redundant between 2010-11 and 2015-16
- 53%** BBC staff based outside London in December 2016, against a target of at least 50%
- 1.6%** BBC staff who were senior managers in December 2016, compared with an intention to reach 1% by 2015
- 98** senior managers earning more than £150,000 in March 2016, compared to 89 in January 2012
- 2,500** full-time equivalent freelance and agency workers working with the BBC, in addition to payroll staff, in March 2016

Summary

1 This report is about the BBC's management of its workforce. The BBC (the British Broadcasting Corporation) is the UK's main public service broadcaster, providing a wide range of television, radio and digital services. In 2015-16, it received £3.74 billion of public funding from television licence fees, to enable it to meet its public service broadcasting responsibilities. Technological developments, new forms of competition and changes in how audiences access and consume content are all impacting on the media and broadcasting sectors. The BBC has had to adapt to these changes, while at the same time receiving less funding.

2 In 2015-16, the BBC employed 18,920 full-time equivalent staff in public service broadcasting, spending £862 million on their salaries and wages, 21% of its total operating costs. In addition to these payroll staff, in March 2016 the BBC engaged with approximately 2,500 freelance and agency workers, whom it terms 'variable staff', on a full-time equivalent basis. To deliver services effectively, the BBC needs to have the right people in place, and therefore to be an attractive employer in a competitive media labour market. As a public body, it also needs to fulfil duties to optimise value for money, including in its spending on staff.

3 In recent years, the BBC has had ongoing efficiency initiatives, most notably the Delivering Quality First programme (from 2012-13 to 2016-17) and the Simplification programme (from 2015-16 to 2017-18). These have directly affected the BBC's workforce. The BBC's new Royal Charter came into effect on 1 January 2017 and, alongside further changes to the Corporation's funding, is likely to affect the workforce in the years ahead.

Scope and approach

4 This report examines:

- the size and composition of the BBC's workforce (Part One);
- the extent to which the BBC has met its own objectives for its workforce to date (Part Two);
- the BBC's oversight of workforce planning and management (Part Three); and
- the key workforce challenges the BBC faces and possible improvements it could make (Part Four).

5 The report focuses on public service broadcasting, the area in which most of the BBC's staff work. We have considered available information on the size of both the BBC's payroll and non-payroll staff, but we have not examined in detail how the BBC commissions and employs freelance and agency workers. In addition, we have not examined the BBC's management of its workforce in its commercial subsidiaries. Appendices One and Two provide details of our approach and methods.

Key findings

The BBC's overall workforce

6 The BBC has adhered to a consistent set of strategic objectives that have shaped its approach to workforce management. These have included: reducing payroll staff costs and numbers; investing in new areas of activity to enhance and grow the BBC's range of services; reducing the cost and number of senior managers; moving more staff posts outside London; increasing diversity; and simplifying and standardising the Corporation's organisational design (paragraph 1.9).

7 From 2010-11 to 2015-16, the BBC reduced the cost of its payroll workforce by 6% in real terms and the size of its payroll workforce by 4%. In 2015-16, the BBC employed an average of 18,920 full-time equivalent staff in its public service broadcasting functions, compared to 19,767 in 2010-11. The cost of salaries and wages for payroll staff in these functions fell in real terms by £59 million from £921 million in 2010-11 to £862 million in 2015-16 (in 2015-16 prices). Over this period, the BBC made 3,400 staff redundant at a cost of £190 million (paragraphs 2.3 and 2.4).

8 The reduction in workforce is smaller than the BBC originally planned because the BBC has offset posts it closed by creating new roles in priority areas. In 2011, the BBC envisaged that it would become a significantly smaller organisation with a net loss of about 2,000 payroll posts over five years. By 2015-16, the workforce had fallen by 847 staff, with reductions beyond this level offset by increases, most notably in digital and technological roles to support services such as the iPlayer and to allow greater personalisation of BBC content. In some areas, such as human resources (HR), the BBC now provides services directly that were previously provided by contractors, which has also added to payroll staffing levels (paragraphs 2.2, 2.3, 2.9 and 2.10).

9 While reducing its payroll workforce, the BBC has increased its overall output volumes for TV and digital services, although the volume of its radio output has fallen. Between 2010-11 and 2015-16, the volume of BBC-originated network hours shown on the BBC's TV channels has increased by 2%, and the data requirement to deliver the BBC's digital services increased more than fourfold. The volume of BBC-originated network radio output fell by 6% between 2011-12 and 2015-16 (paragraph 2.5).

10 In the period from 2010-11 to 2015-16, the BBC has not monitored or reported centrally in a consistent way on the number and cost of all types of variable staff, meaning it is not possible to assess how its total requirement for people has changed over time. Although variable staff costs have been monitored in divisions, reporting of total numbers and costs was not brought together and tracked centrally by executive management prior to 2015-16. In 2015-16, the BBC's executive finance reports began to include more information on variable staff. According to these reports, at the end of the 2015-16 financial year, the BBC was engaging with some 2,500 full-time equivalent variable staff. However, the BBC cannot say on a like-for-like basis whether it currently makes use of more or fewer variable staff than in previous years. If the BBC continues to report using consistent definitions of variable staff in future, it will be able to track trends, but until trend data is available, it cannot demonstrate that planned changes in payroll staff are not leading to unintended increases in variable staff (paragraphs 2.6, 2.8 and 4.15).

Senior management

11 The BBC has successfully reduced the overall number and cost of its senior managers, but has not met two related senior management commitments.

Between 2010-11 and 2015-16, it succeeded in:

- reducing the senior management pay bill by £17.1 million (27%) from £64.1 million to £47.0 million;
- reducing senior manager numbers by 184 (34%) from 540 to 356 (the number of senior managers had fallen further, to 319, by December 2016); and
- among other pledges, ending private healthcare benefits and car allowances for new senior managers.

However:

- the number of senior managers earning more than £150,000 was higher in March 2016 (98) than in January 2012 (89), despite a commitment to reduce the number by 20%; and
- the BBC had not reduced the proportion of senior managers to 1% of the workforce by 2015 as intended – in December 2016, it reported that senior managers represented 1.6% of the workforce.

At the time of our audit, the BBC was carrying out a delayed review of senior manager roles. It expected to complete this by April 2017, with implementation of its recommendations to follow (paragraphs 2.11 to 2.14).

12 Staff numbers in the grade immediately below senior management have increased by 7% since 2011. There was a net increase of 47 in the number of grade 11 staff from 679 in March 2011 to 726 in December 2016. This was primarily due to movements of individuals up from grade 10. Throughout this period, over half of grade 11 staff (on average 54%) have been paid more than the salary ceiling for the grade. According to the BBC, the grades' salary boundaries have been out of date throughout this period, being based on ranges the BBC previously negotiated with trade unions, and not, in some cases, on current market rates for the sectors in which the BBC operates. The BBC considers that it needs to pay competitive salaries for specialist roles, and to compensate staff fairly for taking on responsibilities that were previously carried out by senior managers. As part of its review of staff terms and conditions, the BBC is considering introducing new grades and salary ranges. Between March 2011 and March 2016, the number of senior managers at the BBC fell by 184. In this period, 43 BBC staff were redeployed from senior manager grades into roles at grade 11. Of these, 36 took on new roles at grade 11 as their senior manager posts were closed. The remaining 7 roles were re-evaluated to be grade 11 (paragraphs 2.15, 2.16 and 2.22 to 2.24).

Making the workforce more representative

13 A smaller proportion of the BBC's staff are now based in London, and the Corporation is more diverse than it previously thought, meaning it has met some of its diversity targets for 2020 several years early. In December 2016, 53% of BBC staff were located outside London, compared to its target of 50%. A census of all staff at the end of 2016 indicated that the BBC's workforce was much more diverse than previously identified, and that it had met all of its diversity targets for 2017. The census also showed that the BBC had already met targets set in April 2016 to increase the levels of disabled and lesbian, gay, bisexual and transgender staff by 2020, both across its workforce and within the leadership (paragraphs 2.17 to 2.20).

Oversight of workforce planning and management

14 Before 2014, the BBC's central managers had limited ability to track how efficiency initiatives and other policies were affecting the payroll workforce due to inconsistencies in data generated by BBC divisions. Until 2014, the primary focus of the BBC's central management was controlling costs, including staff costs, while responsibility for managing other workforce objectives rested with divisions, which had a high degree of autonomy. Workforce data provided to the centre varied by division, making the data difficult to compare (paragraphs 3.2 to 3.4).

15 In 2014, the BBC reviewed its central understanding of past and planned changes to divisional workforces, leading to improvements. The BBC asked divisions to conduct a review because, while payroll staff numbers and costs had reduced since 2010-11, the BBC's central teams and executives could not map these changes against the Corporation's broader efficiency programme, from the data held centrally. The BBC also wanted an accurate update on progress against a series of existing workforce commitments, so it could begin to track these centrally. Following the review, the BBC has been improving the range and consistency of centrally available management information about its workforce: including most recently in 2016, updating its Clearview system for tracking savings so it is integrated with information on workforce reductions and redundancy payments; and introducing new divisional reporting arrangements. At the time of our review, the latter arrangements were relatively new, with scope for further enhancement of some of the data and indicators used in the divisional reports (paragraphs 3.4, 3.5 and 3.16).

16 Following the 2014 review, the BBC increased efficiency through organisational simplification, greater consistency in organisational structures, and further streamlining of support functions. In particular, it sought to reduce the size of its HR function, which had compared poorly to industry benchmarks, with the BBC's HR staff to all staff ratio standing at 1:40 in 2014. The BBC drew on the 2014 review and other analysis to set a target ratio of 1:70. The BBC has now:

- insourced HR services from external contractors, creating a new HR service centre in Birmingham;
- standardised several previously local HR procedures and approaches; and
- upgraded its HR IT systems.

In November 2016, the BBC estimated that its HR costs would reduce by £10.1 million a year from 2017-18, leading to an expected ratio of HR staff to all staff of 1:72 (paragraphs 3.8 to 3.10).

17 The BBC has simplified and standardised its organisational design, including by reducing layers of management. By March 2016, over 90% of the BBC's public service broadcasting staff were within six management layers of the director general, compared to just over 75% in March 2011. The BBC also introduced in 2016 a set of common organisational design principles, covering, for example, the average span of management control to be applied by divisions when structuring their organisation (paragraphs 3.11 and 3.12).

18 The BBC has improved central oversight and control of workforce management within divisions. Centralising responsibility for HR and incorporating divisional HR staff into the central HR team have given central management greater oversight of divisional workforce planning and management and enabled it to increase consistency between divisions. Central management has also standardised its control over decisions about divisional workforces, by introducing in September 2016 a single six-tier governance structure for such decisions across the BBC (paragraphs 3.13 to 3.15).

19 The BBC did not carry out a review of staff terms and conditions in line with its initial timetable, although this review is now under way. The BBC intended to review staff terms and conditions during the first two years of the Delivering Quality First programme. The review was delayed due to concerns about organisational strain given the number of other initiatives affecting staff at the time, as well as senior leadership changes. The BBC initiated the postponed review in July 2016, to modernise and simplify terms and conditions, working jointly with trade unions. In March 2017, the BBC's executive committee approved progress in four areas – contracts; policies and allowances; flexible resourcing; and pay and grading – to take forward for further discussion with trade unions (paragraphs 2.22 to 2.24).

On key future challenges and risks

20 The BBC classified workforce matters as a key strategic risk in June 2016, recognising the significant challenge it faces to adapt its workforce to meet future needs. The BBC has a range of significant initiatives already under way, including:

- to complete the closure of more than 1,000 posts under its Simplification programme (announced in July 2015) by the end of 2017-18;
- to recruit over 1,000 staff to expand the World Service; and
- to complete delayed reviews of senior management roles and staff terms and conditions.

In future, further staffing reductions are likely as the BBC seeks to reduce costs by £800 million a year by 2021-22, in the light of its financial settlement. These reductions will occur in a context in which many easier and more obvious savings have already been made (paragraphs 4.1 to 4.7).

21 The BBC faces recruitment and retention problems in areas where it competes for specialist skills. For some roles, particularly digital ones, the BBC has found it difficult to bring staff on to the payroll, despite planning to do so. In these cases, it has had to fill vacancies with more expensive variable staff. In some areas, the BBC considers that there is a tension between its policies and obligations as a public body and its ability to compete effectively for staff whose skills are in high demand with commercial competitors. At the time of our review, it was beginning to develop its approach to strategic workforce planning in its new Design and Engineering division, and it has taken some steps to address these recruitment and retention challenges (paragraphs 4.10 and 4.11).

22 The BBC has developed headcount budgeting and forecasting as part of its business planning and reporting processes, but there is scope to improve accuracy and comprehensiveness. The BBC has not always produced accurate headcount budgets and forecasts. While all forecasts are inevitably provisional, in planning for 2016-17 the BBC was too optimistic about the pace at which it would be able to recruit staff for new World Service posts. In 2015-16, the BBC also needed substantially more variable staff than it budgeted for, spending £49 million (49%) more on these staff than planned, though £30 million of this was offset by an underspend on payroll staff. The main factors impacting on budgeting and forecasting accuracy for variable staff are production scheduling, where there can be substantial fluctuations at short notice, and recruitment and retention difficulties in parts of the BBC that, as a result, have higher levels of vacancies (paragraphs 4.12 to 4.14).

Conclusion on value for money

23 The BBC's approach to managing its workforce balances multiple objectives including reducing costs, investing in strategic priorities, and making staff management more consistent. In the period we reviewed, the BBC has improved central management oversight and control of staffing, bringing greater consistency and standardisation to its approach. This has helped it to deliver many specific workforce commitments, including reducing payroll staff costs and numbers, in particular the cost and size of its senior management, increasing the proportion of staff outside London, and creating new posts in priority areas. In these respects, the BBC's approach to managing its workforce is securing better value for money than in the past, and it is better placed to face the challenge of delivering more change in future.

24 This is a significant achievement, but a full assessment of the BBC's expenditure on its people needs to include the number and cost of its variable staff (i.e. those it uses on a freelance and agency basis). The BBC has only recently brought together and standardised how it reports on variable staff, and therefore cannot be certain about how its requirement for these staff has changed in recent years. It needs to track such changes more systematically in future to enable a more rounded assessment of the cost-effectiveness of its workforce.

Recommendations

- a** The BBC should build on recent improvements in its central oversight of workforce management to ensure it has a workforce of the right size and skills to deliver its forthcoming strategy, once this is agreed by the new board.
- b** The BBC should measure and report on its variable staff on a consistent basis from year to year, because without this it cannot assess how its overall requirement for people is changing.
- c** As part of its forthcoming project to move responsibility for headcount reporting from its finance team to HR, the BBC should improve the accuracy of headcount budgeting and forecasting. This should include, for example, learning from areas where past forecasting has been either effective or ineffective, and reviewing central assumptions about likely vacancy levels in different parts of the organisation.
- d** The BBC should, as part of its new senior manager strategy, review its outstanding targets for senior managers, continuing to keep a tight grip on costs and numbers but also ensuring that the specific actions it takes are right for its current needs.
- e** Alongside its existing approaches to tracking organisational strain among the workforce, the BBC should consider asking a question in its annual staff survey about how well change is being handled.
- f** The BBC should review its diversity strategy to reflect its most recent data in this area.