



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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**British Broadcasting Corporation**

# Managing the BBC's workforce

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British Broadcasting Corporation

# Managing the BBC's workforce

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

21 April 2017

This report examines whether the BBC has put in place arrangements to deliver a workforce strategy that meets its objectives and delivers value for money.

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# Contents

**Key facts** 4

**Summary** 5

**Part One**

The BBC's workforce 13

**Part Two**

The BBC's progress in reshaping  
its workforce 18

**Part Three**

Oversight of workforce planning  
and management 30

**Part Four**

Future workforce management 36

**Appendix One**

Our audit approach 40

**Appendix Two**

Our evidence base 42

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## Key facts

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**18,920**

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

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**£862m**

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

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**319**

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

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- 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.

# Part One

## The BBC's workforce

**1.1** The BBC (the British Broadcasting Corporation) is the UK's main public service broadcaster. It provides a wide range of services, including nine television channels, 10 UK network radio stations, 46 radio stations for the UK's nations and regions, 28 international language services as part of the World Service, and BBC Online. The BBC receives public funding from television licence fees, totalling £3.74 billion in 2015-16, to meet its public service broadcasting responsibilities. It also has a number of commercial subsidiaries.

**1.2** In 2015-16, the BBC employed 18,920 staff in public service broadcasting, spending £862 million on their salaries and wages, 21% of total operating costs. In addition to these payroll staff, the BBC also used what it terms 'variable staff', meaning workers whom it engages on a freelance basis or from agencies.<sup>1,2</sup> These are typically production staff and vacancy cover. BBC data showed that it engaged with approximately 2,500 such staff in March 2016.

**1.3** Of its public service broadcasting payroll staff, 94% were based in the UK, with 6% overseas. Of UK-based staff, 83% were permanent and 17% were on fixed-term contracts. The BBC manages its staff using a grading structure which includes two senior management grades (**Figure 1** overleaf).

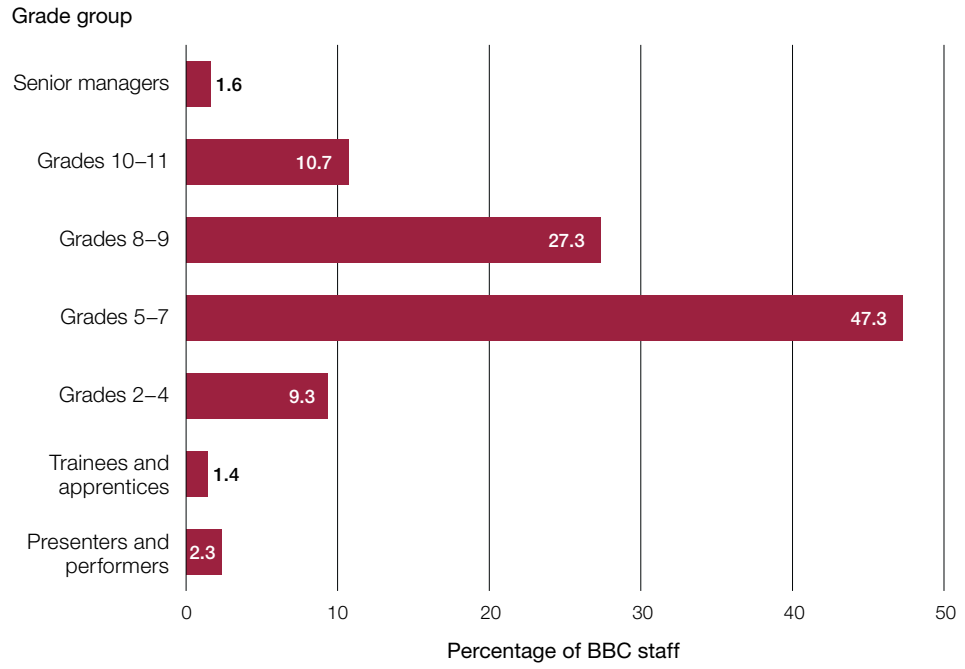
**1.4** The BBC's public service broadcasting staff are organised in divisions. In 2016, the BBC announced a new structure as part of efforts, described later in this report, to create a simpler organisation with clearer lines of accountability (**Figure 2** on page 15). Under this restructuring, the BBC changed some divisional responsibilities. For example, the BBC's deputy director general, previously its managing director, took on responsibility for marketing and audiences, as well as for a new centralised commercial and rights group that will coordinate all BBC negotiations. The reorganisation also brought together responsibility for Scotland, Wales and Northern Ireland, and regional hubs in England, in a new Nations and Regions division.

<sup>1</sup> Wherever possible in this report, staff numbers are given on a full-time equivalent (FTE) basis. An FTE is a unit to measure employed persons in a way that makes them comparable although the actual individuals may work a different number of hours per week. The unit is obtained by comparing an employee's average number of hours worked to the average number of hours of a full-time worker. A full-time person is therefore counted as one FTE, while a part-time worker gets a score in proportion to the hours he or she works. For example, a part-time worker who is employed for 20 hours a week in an organisation where full-time work consists of 40 hours, is counted as 0.5 FTE.

<sup>2</sup> The BBC employed a further 2,000 staff on commercial activities.

**Figure 1**  
BBC staff by grade, 2016

The BBC's public service broadcasting staff are organised into a grading structure which includes two senior management grades



**Note**

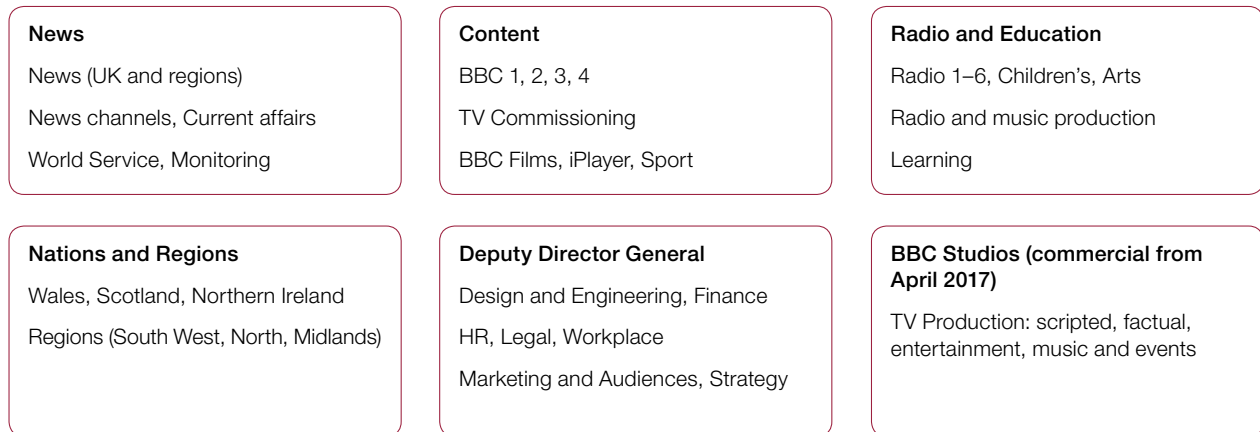
1 Percentage figures are based on public service broadcasting staff that the BBC employed in December 2016, excluding the World Service.

Source: National Audit Office analysis of BBC data

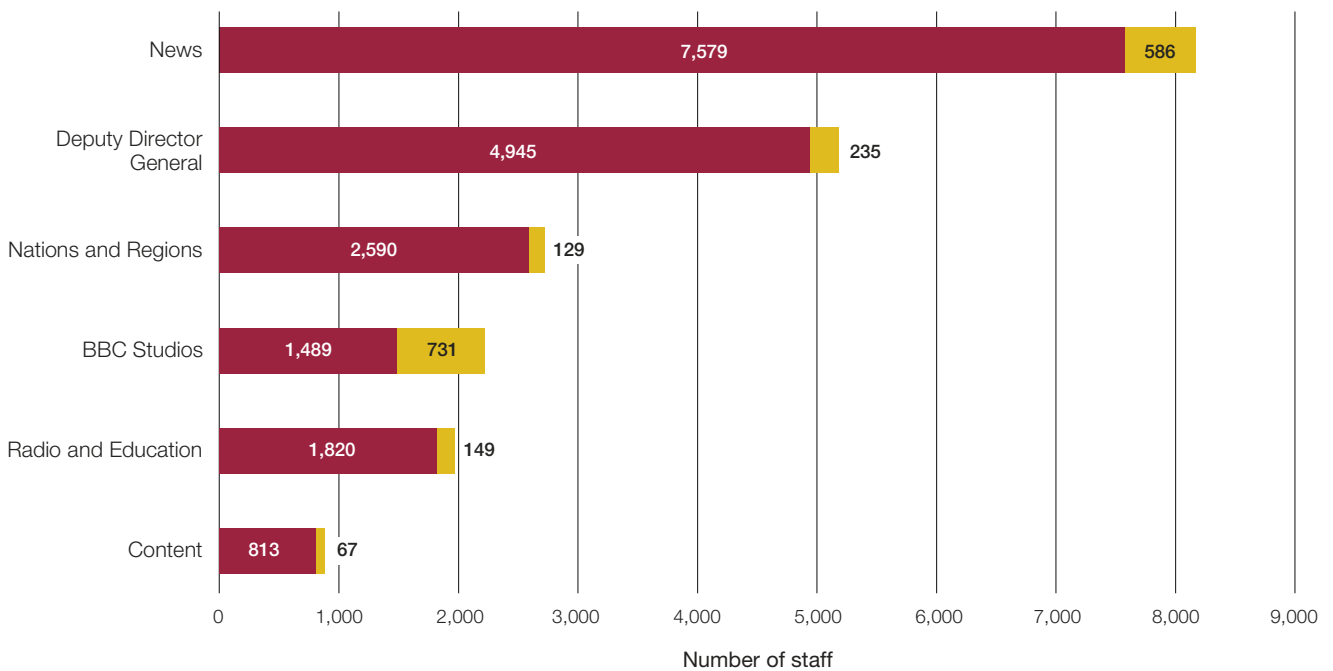


**Figure 2**  
The divisional structure for public service broadcasting

At the end of 2016, the BBC's staff were organised into six divisions, the largest of which was News



**BBC Division**



- Payroll staff
- Variable staff

**Notes**

- 1 Staff numbers are on a full-time equivalent basis (see footnote 1).
- 2 BBC Studios staff are not part of the public service broadcasting workforce from April 2017.
- 3 England only has regional representatives in Nations and Regions, with most of its staff contained in the News and Radio and Education divisions.
- 4 The previously separate Digital, Technology and Information and Archives departments were merged into a new department, Design and Engineering, within the Deputy Director General division.

Source: National Audit Office review of BBC documents

**1.5** The new BBC Studios division, which began with approximately 2,000 staff, was created as part of a move to separate TV production from commissioning. Under the new Royal Charter, the BBC is required to subject more of its TV and radio production to competition. BBC Studios will compete for such commissions as well as bidding to make programmes for other broadcasters in the UK and internationally. BBC Studios became a commercial subsidiary of the Corporation in April 2017.

### **Strategic aims and challenges**

**1.6** The BBC operates in many different parts of the media and therefore faces a range of different opportunities and challenges with regard to workforce management. In some parts of the UK, and for some services, the BBC has the largest presence of any media organisation. Elsewhere, it faces a dynamic environment including new forms of competition, especially since the UK is currently seen as an attractive place for TV and film production. Technological developments and changes in the ways audiences access and consume content, including the growth of large international platforms like Netflix and Amazon Prime, also have an impact on the Corporation.

**1.7** The BBC has needed to adapt quickly to these changes. In particular, since the launch of the BBC iPlayer in 2007, it has been expanding its digital media capability, increasing its need for people with in-demand digital skills. The BBC is investing in content provided on other digital platforms, such as Facebook and YouTube, and is seeking to offer users more personalised services and content through the myBBC initiative.

**1.8** At the same time, due to funding constraints in recent years, the BBC has run major programmes to reduce its costs, including staff costs, and to improve efficiency:

- The BBC's 2010 financial settlement entailed a 16% real-terms cut in licence fee funding for public service broadcasting between 2011-12 and 2016-17. In response, the BBC launched the Delivering Quality First efficiency programme, which aimed to make £700 million of savings a year by 2016-17.
- In July 2015, after the BBC forecast that it would receive less licence fee income than previously expected (due to fewer households watching TV), it announced that it would make additional savings of £150 million a year by 2017-18.
- More recently, in March 2016, the BBC identified that it would need to reduce its costs further as a result of its new financial settlement, in which the government undertook to increase the cost of the licence fee in line with inflation but also made the BBC responsible for funding free licences for those aged 75 and over. The BBC now expects to have to make savings of £800 million a year by 2021-22. These include the £150 million savings above.

**1.9** In this context, the BBC's approach to its workforce in recent years has been consistently driven by a number of high-level objectives (**Figure 3**), set out in *Delivering Quality First*, the October 2011 strategy that described the Corporation's aim for a smaller and radically reshaped organisation.<sup>3</sup> Subsequent plans have altered some of the BBC's detailed targets and initiatives, but the overarching objectives have remained broadly unchanged.

**Figure 3**  
The BBC's workforce objectives

The BBC's workforce objectives can be summarised as:



Reducing payroll staff costs and numbers, guided by key corporate efficiency programmes.



Redistributing staff outside London and increasing diversity, in order to represent licence fee payers better, both on- and off-air.



Investing in the BBC's strategic priorities to enhance and grow BBC services, particularly in digital and technology roles, and more recently in the World Service.



Simplifying and standardising organisational design, by reducing management layers and spans of control, streamlining support services to maximise spend on content, and standardising HR policy (such as grading and contractual terms) across divisions.



Reducing the numbers and costs of its senior managers.

Source: National Audit Office analysis of BBC documents

<sup>3</sup> BBC, *Delivering Quality First*, October 2011.

## Part Two

### The BBC's progress in reshaping its workforce

**2.1** This part examines whether the BBC has delivered its workforce objectives. It considers the BBC's progress in:

- reducing the cost and size of its payroll workforce, while investing in strategic priorities; and
- meeting commitments relating to senior management and the location and diversity of staff.

#### Reducing size and cost

##### Payroll staff

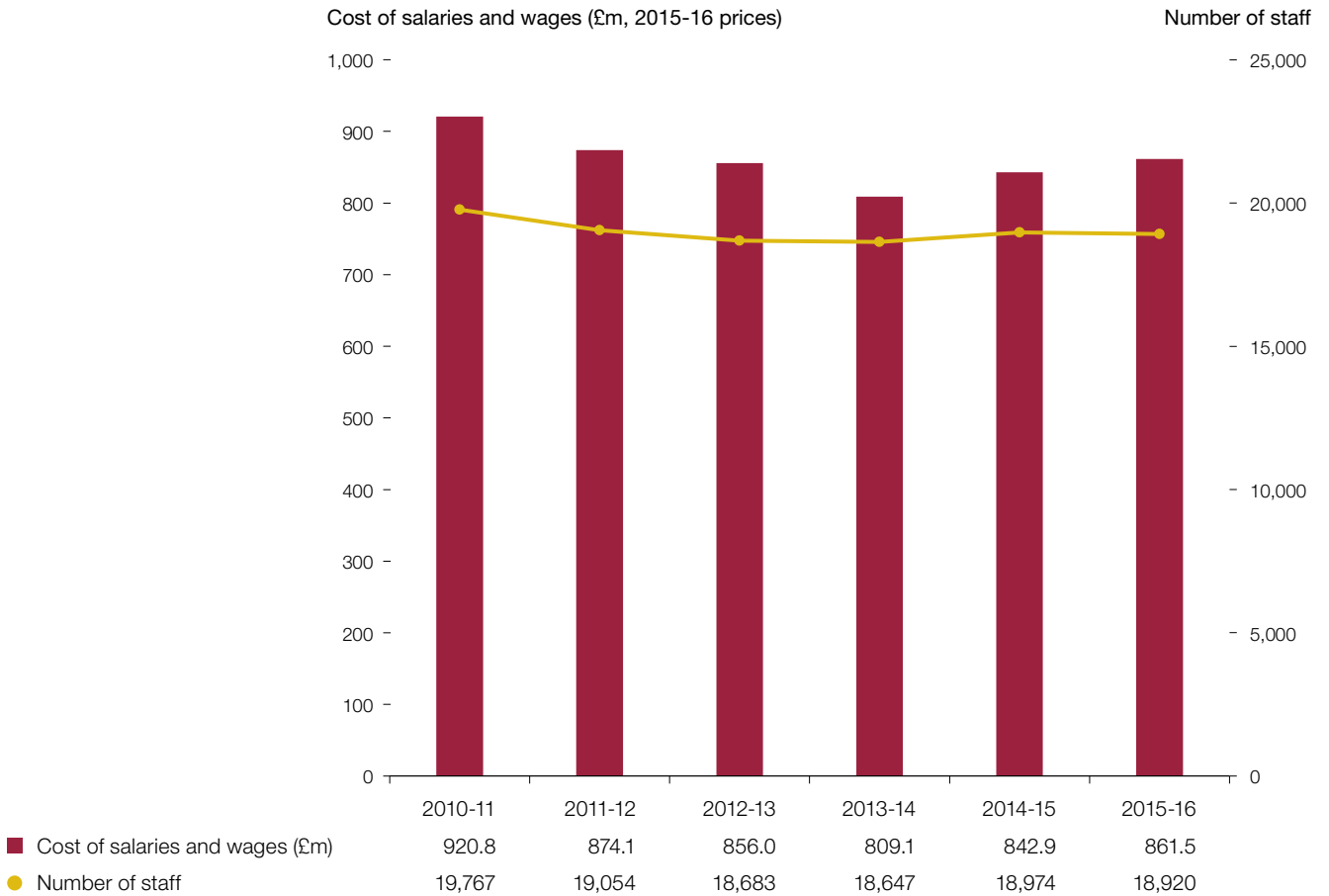
**2.2** In 2011, the BBC envisaged that, under the Delivering Quality First efficiency programme, it would become significantly smaller, with job losses across the organisation leading to a net reduction of around 2,000 payroll posts over five years. By the end of 2015-16, the BBC had become smaller, although the size of the reduction was less than originally anticipated.

**2.3** Between 2010-11 and 2015-16, the size of the BBC's public service broadcasting payroll workforce reduced by 847 (4%), from 19,767 full-time equivalent staff to 18,920 (**Figure 4**). To achieve this net reduction, the BBC made 3,400 staff redundant at a cost of £190 million. The BBC had always planned to reuse some of the savings it made from redundancies in order to employ new staff in strategic priority areas. It subsequently found that it could do this to a greater extent than expected, while still meeting its overall cost reduction targets. This was partly because it was able to make larger savings from non-staff costs, including through property sales and renegotiated contracts, and partly because the BBC's staff costs have fallen by a greater proportion than its staff numbers.

**Figure 4**

The size and cost of the BBC's workforce, 2010-11 to 2015-16

The size and cost of the BBC's public service broadcasting payroll staff fell by 4% and 6% respectively, between 2010-11 and 2015-16



**Notes**

- 1 Salaries and wages costs have been converted to 2015-16 prices using the Office for National Statistics's Consumer Price Index.
- 2 Numbers of staff are on a full-time equivalent basis (see footnote 1, page 13), and represent the average number of staff employed in public service broadcasting for the relevant financial year.

Source: National Audit Office analysis of BBC and Office for National Statistics data

**2.4** The salaries and wages paid to public service broadcasting payroll staff fell by 6% in real terms (in 2015-16 prices) from £921 million in 2010-11 to £862 million in 2015-16. Our analysis indicates a number of factors that will have contributed to staff costs falling at a faster rate than staff numbers:

- the senior manager pay bill reduced disproportionately, being £24 million lower in real terms in 2015-16 than 2010-11;
- unpredictability allowances have been less available to new staff, causing a £5.5 million reduction in real terms between 2010-11 and 2015-16; and
- fewer staff now work in London, producing estimated real-terms savings of between £4 million and £5 million from London weighting payments.

**2.5** Between 2010-11 and 2015-16, the BBC increased its total output volumes for TV and digital services. In this period, the volume of BBC-originated network hours shown on the BBC's TV channels increased by 2%, including a 4% increase in the volume of output for in-house productions, while the data required to deliver the BBC's digital services has increased fourfold. The volume of BBC-originated network radio output fell by 6% between 2011-12 and 2015-16, including a 4% fall for in-house productions.

### Variable staff

**2.6** The BBC has not monitored or reported centrally in a consistent way on the number and cost of all the types of variable staff it has engaged with in the period between 2010-11 and 2015-16. This means that it was not possible for us to analyse trends in the BBC's use of variable staff in the same way as we did for payroll staff. We have, however, seen reports which show that the BBC has monitored the costs of variable staff at divisional level in this period.

**2.7** In its published annual reports, the BBC provides data on the number and cost of two categories of variable staff.<sup>4</sup> These represented 1,170 full-time equivalent staff in 2015-16. But the BBC does not report on the same basis on the number and cost of other types of variable staff, including other categories of freelance and agency staff. Also, its internal management information about such staff has not been reported consistently during this period, preventing meaningful comparison.

**2.8** In 2015-16, the BBC's internal executive finance reports began to include more information about all categories of variable staff across the organisation. According to these reports, the BBC spent £149 million on these staff in 2015-16, engaging in March 2016 with some 2,500 full-time equivalent staff. The BBC cannot say on a like-for-like basis whether this was more or fewer variable staff than in previous years.

<sup>4</sup> These are freelancers engaged on a pay-as-you-earn basis – described in the BBC's annual reports as 'casuals' – and members of orchestras and choirs.

## Investing in strategic priorities

**2.9** Overall changes in staff numbers mask some important shifts in the proportion who work in different parts of the BBC. In some areas, the workforce has reduced by much more than average. In particular, the number of payroll staff in the Television division fell by 22%, from 2,675 to 2,085, between 2011 and 2016. In other areas, the BBC has grown significantly, most notably in the number of digital and technological roles. When the BBC first created a consolidated digital department in 2008-09, it had 439 staff. By 2015-16, the equivalent department had more than 1,300 staff (**Figure 5** overleaf).

**2.10** The BBC has also insourced some previously outsourced services. For example, after reviewing the relative cost-effectiveness of different options, it has recently taken over responsibility for the management of certain IT and broadcast services, including the newsroom computer system, from outside contractors, resulting in some 150 new posts.

## Senior management

**2.11** Between 2010-11 and 2015-16, the BBC reduced the number of senior managers by 184 (34%), from 540 to 356. At the same time, it has reduced the senior management pay bill by £17.1 million (27%), from £64.1 million to £47.0 million (**Figure 6** on page 23). As of December 2016, the number of senior managers stood at 319.

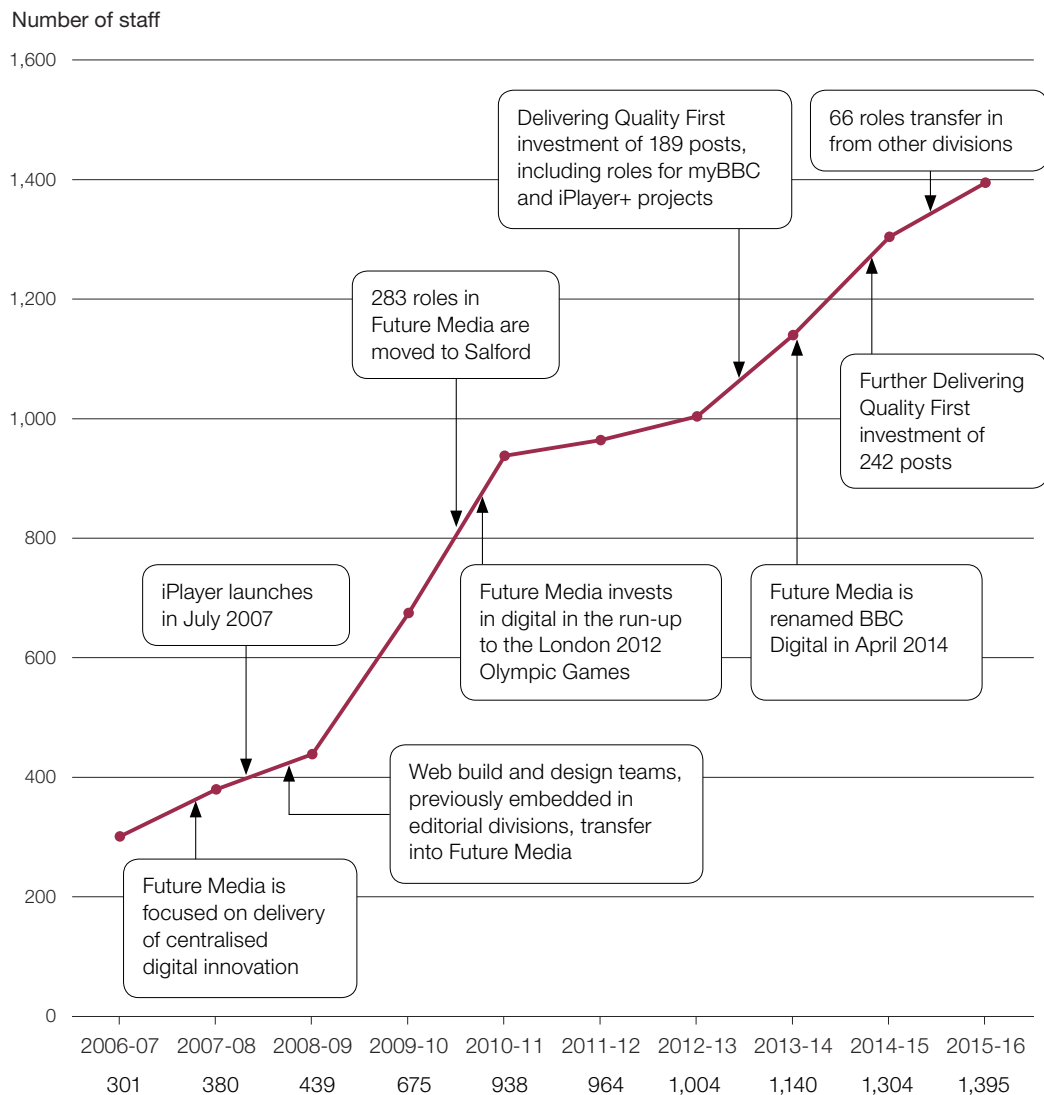
**2.12** Early in the period, in July 2011, the BBC introduced a dedicated Senior Management Strategy for 2011 to 2015 to focus its efforts to reduce numbers and costs, both in absolute terms and relative to the rest of the BBC. The strategy also established a number of specific commitments. The Corporation has succeeded in many of these commitments, including on overall numbers and costs, and withdrawing private healthcare and car benefits from new senior managers.

**2.13** The BBC has not, however, met two further commitments in its Senior Management Strategy. Beyond the reductions made to the number of senior managers, the BBC also wanted to reassess its senior grading structure with a view to reducing the proportion of senior managers to just 1% of the total workforce by 2015. In December 2016, senior managers still represented 1.6% of the total BBC workforce. The main reason for the planned review was to ensure that those in senior manager grades had leadership roles, rather than, as has sometimes been the case, being senior specialists. The BBC planned to undertake this exercise twice, in 2013 and 2015, but in each case was delayed by other organisational changes, most recently by its reorganisation of divisions and associated leadership changes (paragraph 1.4). At the time of our review, the delayed exercise was under way and the BBC expected to complete it in April 2017, with implementation of its recommendations to follow. It expects to end up with a defined group of senior leaders, representing less than 1% of its workforce, and another group of individuals who will remain on senior management contracts.

### Figure 5

#### Expanding the BBC's Digital department (formerly Future Media), 2006-07 to 2015-16

The BBC employed 439 web and digital staff in its Future Media department in 2008-09. By 2015-16, the same department, now BBC Digital, had over 1,300 staff (excluding staff who had transferred from other departments)



**Note**

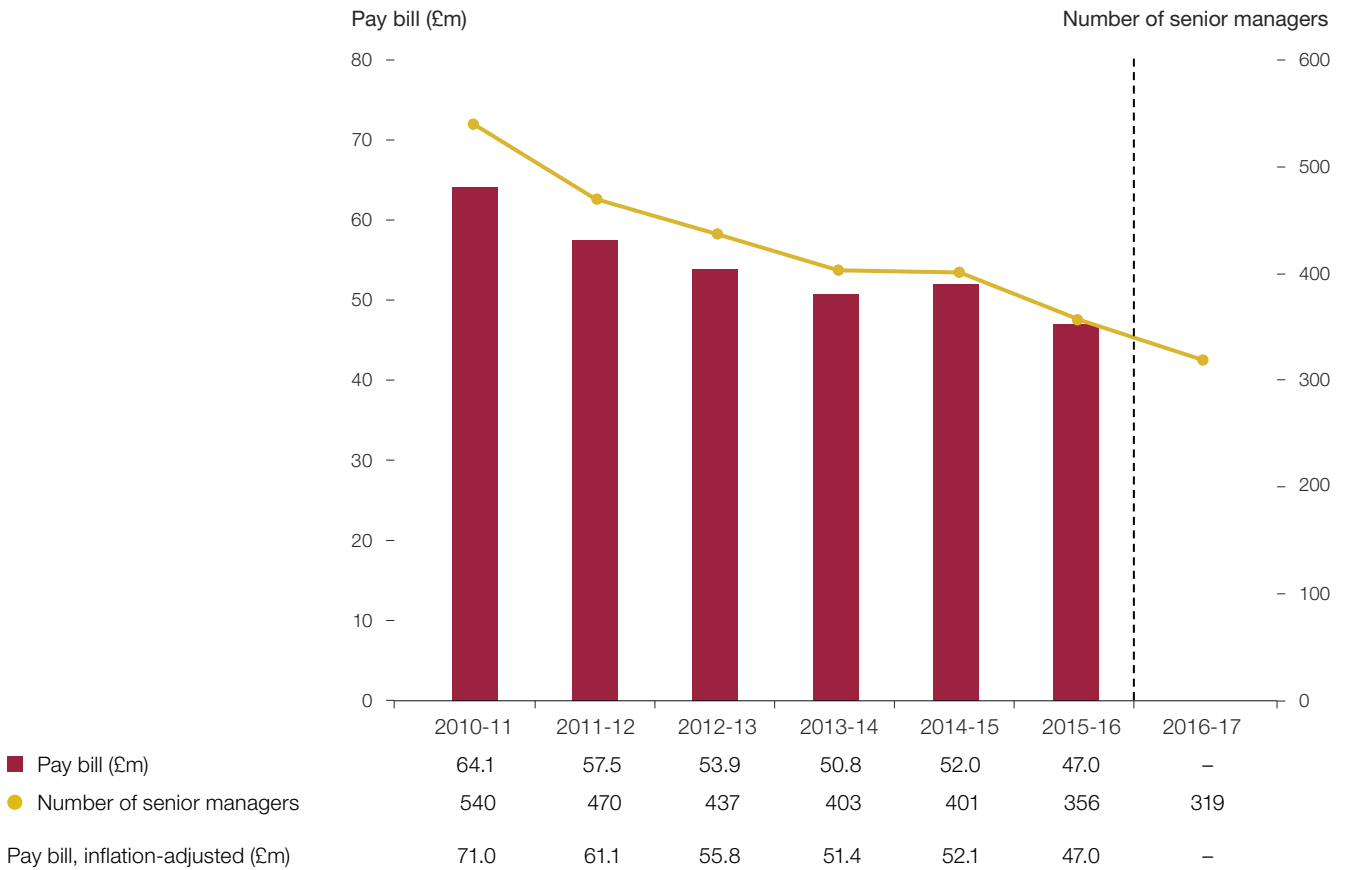
1 Numbers of staff are on a full-time equivalent basis (see footnote 1, page 13), and are correct at 31 March of the reference year.

Source: National Audit Office review of BBC documents



**Figure 6**  
The BBC's senior management, 2010-11 to 2015-16

The BBC has reduced the numbers and costs of its senior management by 34% and 27% respectively, from 2010-11 to 2015-16



**Notes**

- 1 Numbers of senior managers represent the average number of staff employed in public service broadcasting for the relevant financial year, and exclude the BBC's Executive Board. For 2016-17, the numbers are calculated on the same basis, but represent an in-year position up to December 2016.
- 2 Inflation-adjusted data have been converted to 2015-16 prices using the Office for National Statistics's Consumer Price Index.

Source: National Audit Office analysis of BBC and Office for National Statistics data

**2.14** The BBC has also not met a target to reduce by 20% the number of senior managers who earn more than £150,000. This was originally intended to be achieved by 2015, but instead the numbers have increased. In January 2012, 89 senior managers earned more than £150,000. But by March 2016, this had risen to 98. The BBC is no longer trying to meet this target and now believes that it is more relevant to look at the number of senior managers who are paid more than £170,000. This figure takes account of inflation since the target was set and the loss of benefits that senior managers used to receive. The making of such adjustments was not part of the original target but the BBC reports that, in March 2016, 61 senior managers earned more than this adjusted figure.

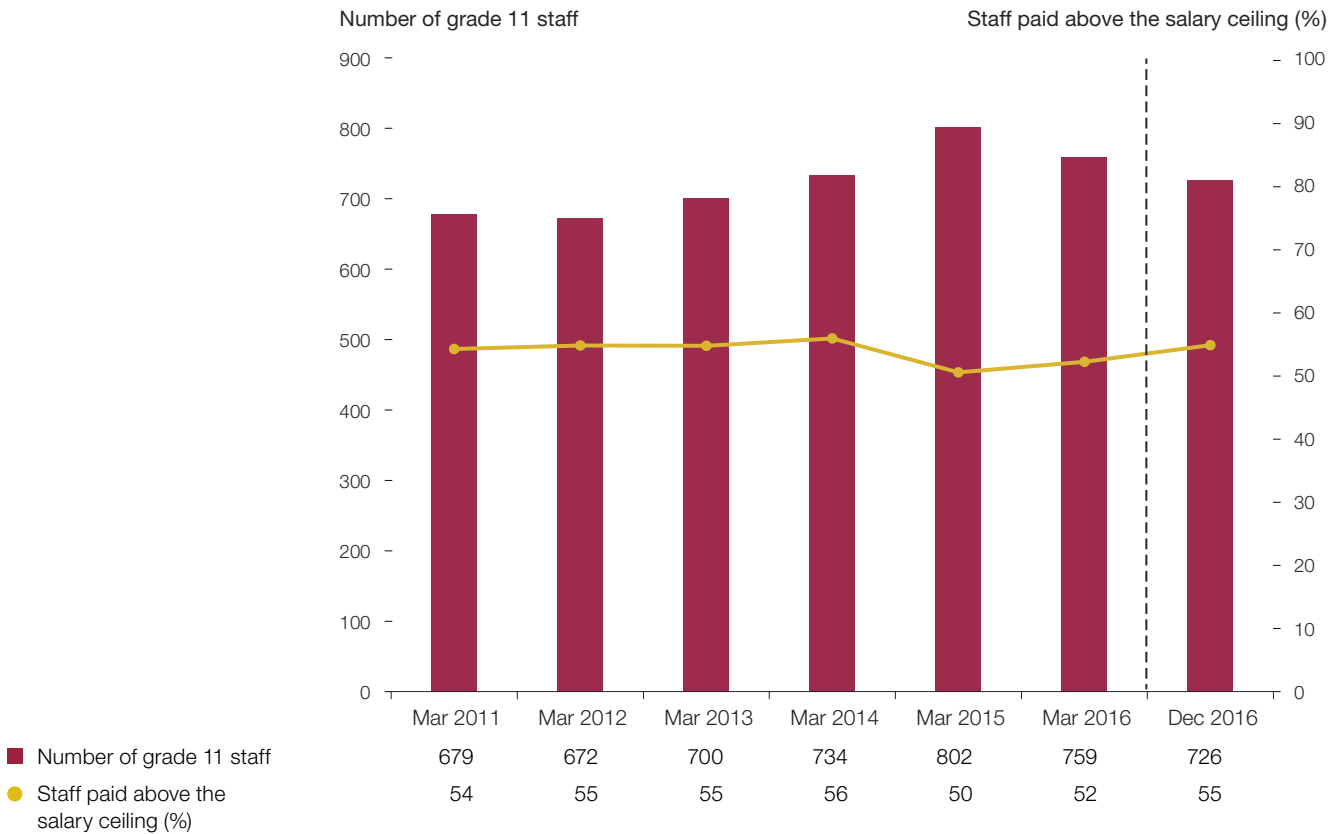
**2.15** Staff numbers in the grade immediately below senior management, grade 11, have gone up, with a net increase of 47 (7%) between March 2011 and December 2016 (**Figure 7**). This was primarily due to movements of individuals up from grade 10, through promotion or regrading of roles. Throughout this period, over half of grade 11s (on average 54%) have also been paid more than the salary ceiling for their grade, meaning that, in 2015-16, the average salary for a grade 11 member of staff, at £78,860, was higher than the grade's official upper boundary of around £72,000.<sup>5</sup>

**2.16** According to the BBC, the grades' salary boundaries have been out of date throughout the 2010-11 to 2015-16 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 some grade 11 staff merit higher pay because they have specialist skills which are in high demand in the wider media marketplace, while others are being reimbursed for taking on extra responsibilities delegated after reductions in senior management. As part of its review of staff terms and conditions (paragraphs 2.22 to 2.24), 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. The size of the grade 11 staff cohort and the number who are paid above the official upper boundary will remain relevant metrics for the BBC in the immediate future as it makes further changes to senior management, in particular following its review of senior leadership roles.

<sup>5</sup> Depending on conditions and excluding London weighting.

**Figure 7**  
BBC grade 11 staff, March 2011 to December 2016

Between March 2011 and December 2016, there was a net increase of 7% in the number of grade 11 staff, with most paid above the official upper boundary for the grade



Source: National Audit Office analysis of BBC data

## **Workforce location and diversity**

**2.17** The BBC has successfully increased the geographical distribution of its workforce, primarily by moving functions and staff to Salford. In December 2016, 53% of the BBC's workforce was located outside London, above the target of 50% that it had set in 2011 (**Figure 8**).

**2.18** The BBC has also sought to increase the diversity of its workforce. Between 2010-11 and 2015-16, there were only small changes to workforce diversity, with the proportion of staff who identified as female and the proportion who identified as disabled both falling slightly, while the proportion who identified as Black, Asian and minority ethnic (BAME) rose from 12.2% to 13.4% (**Figure 9** on page 28).

**2.19** To focus its efforts in this area, the BBC set targets in 2014 for increasing by 2017 the proportion of BAME and disabled staff, both across the workforce as a whole and within the leadership. At the end of 2016, the BBC undertook one of its regular diversity censuses of all staff. The results showed that levels of disabled and LGBT staff were much higher than the BBC had identified in previous censuses, and that it had met the targets for BAME and disabled staff set in 2014.

**2.20** In April 2016, in its *Diversity and Inclusion Strategy 2016–20*, the BBC revisited and expanded its diversity targets.<sup>6</sup> The new targets, which were designed to reflect the diversity of the UK population, were set at higher levels than in 2014 and, for the first time, included targets to increase the proportion of women and LGBT staff to specified levels by 2020. According to the results of the census at the end of 2016, the BBC has already met the targets it set in April 2016 for 2020 for the levels of disabled and LGBT staff, both across the workforce as a whole and within the leadership.

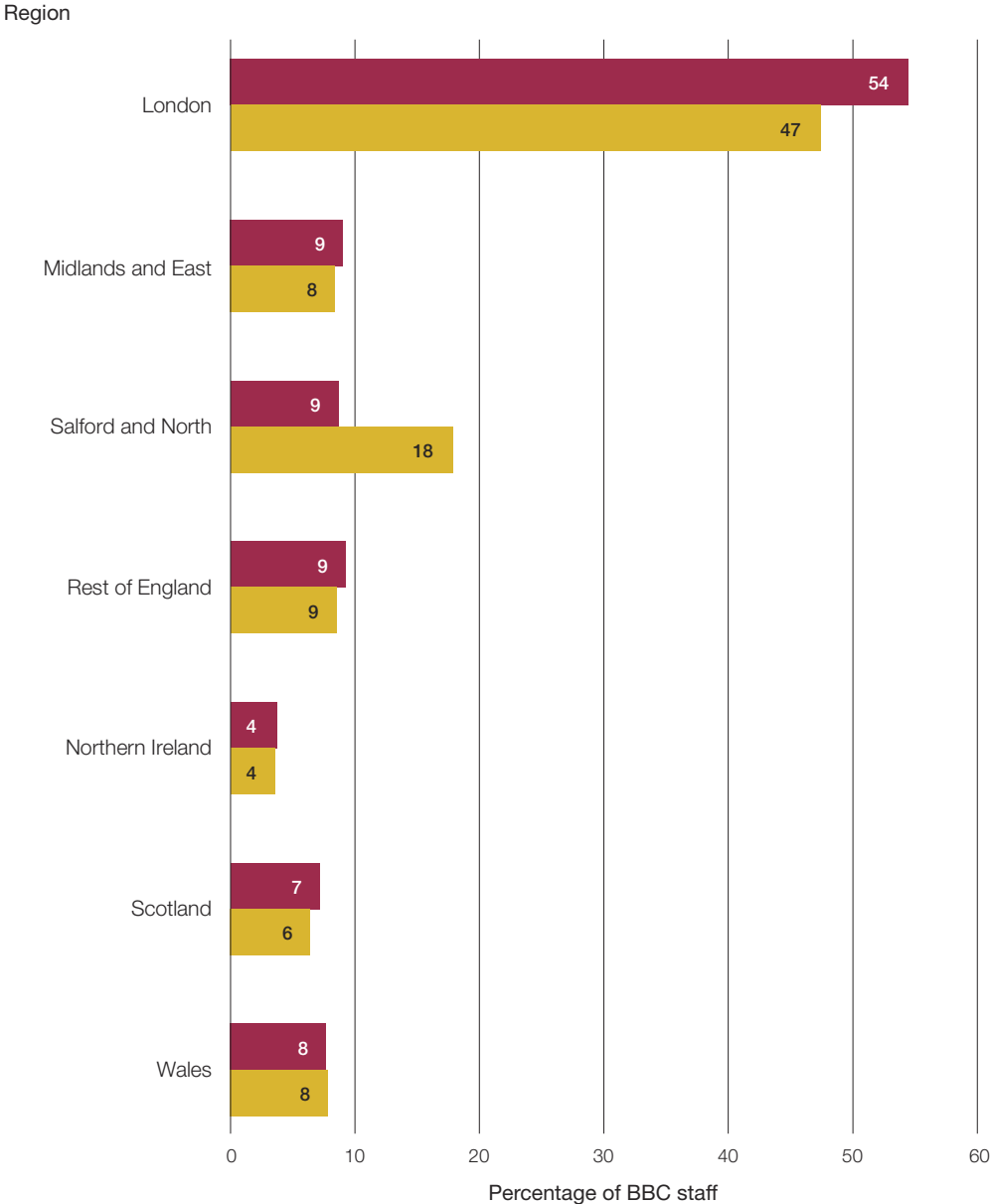
## **Apprenticeships**

**2.21** The BBC has introduced apprenticeships in some areas where it has skills shortages. In October 2013, the director general announced that the BBC would increase the number of non-graduate apprentices to 1% of its total workforce by 2016-17. This target was achieved early in autumn 2014. By autumn 2016, the BBC had 235 apprentices, 1.3% of its public service broadcasting workforce.

6 BBC, *Diversity and Inclusion Strategy 2016–20*, April 2016.

**Figure 8**  
Location of the BBC workforce, 2011 and 2016

The BBC has increased the proportion of its public service broadcasting workforce that is located outside London, mainly by moving staff to Salford



■ March 2011  
■ December 2016

**Note**  
1 Excludes overseas staff and those who work at home.

Source: National Audit Office analysis of BBC data

**Figure 9**

## BBC workforce diversity, 2010-11 to 2015-16

The BBC has met all of its 2017 workforce diversity targets and half of its 2020 targets after data in December 2016 showed that levels of disabled and LGBT staff were much higher than previously identified

		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Dec 2016	Target 2017	Target 2020	UK workforce
		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Disabled	All staff	4.1	3.6	3.7	3.7	3.8	3.6	10.3	5.3	8	13
	Leadership	–	–	3.1	3.1	3.0	2.8	9.8	5.0	8	
Black, Asian and minority ethnic (BAME)	All staff	12.2	12.3	12.4	12.6	13.1	13.4	14.5	14.2	15	12
	Leadership	–	–	8.7	8.7	9.2	9.2	10.3	10.0	15	
Female	All staff	49.2	48.6	48.6	48.6	48.4	48.7	48.2	N/A	50	47
	Leadership	–	–	41.4	40.9	41.3	41.4	42.2	N/A	50	
Lesbian, gay, bisexual and transgender (LGBT)	All staff	–	–	–	–	–	4.3	10.6	N/A	8	–
	Leadership	–	–	–	–	–	4.8	11.5	N/A	8	

**Notes**

- 1 Data refer to March of the reference year, unless otherwise stated, and are based on surveys where staff are invited to self-declare their characteristics. The LGBT status of a significant proportion of BBC staff (about 40%) is unknown.
- 2 A dash indicates that no data were published. N/A indicates that no target was set.
- 3 Leadership figures include staff in grades 10 to 11 and senior managers.
- 4 Data on the diversity of the UK workforce are taken from the Office for National Statistics's Annual Population Survey/Labour Force Survey, 2015-16.

Source: National Audit Office analysis of BBC and Office for National Statistics data

## **Terms and conditions**

**2.22** The BBC's October 2011 plan for implementing Delivering Quality First included an intention to modernise staff terms and conditions so they would align better with the labour markets in which the BBC operates and be more fairly and consistently applied across the Corporation. The 2011 plan recognised that undertaking this work would be complex and challenging, but stated that it would be phased in over the following two years.

**2.23** A particularly sensitive aspect of existing terms and conditions was unpredictability allowances. These are additions to basic salary intended to compensate staff for being available to work flexibly, at short notice or during antisocial hours. In 2012, the BBC entered negotiations with trade unions to reform these allowances. However, in 2013, it decided to postpone this reform and its review of terms and conditions more generally, because of concerns about the strain such changes would place on the organisation, given, among other things, the level of redundancies and changes in senior management.

**2.24** In July 2016, the BBC, working jointly with trade unions, began a new wide-ranging review of terms and conditions with the objective of making them simpler, fairer and more consistent. The review is considering four areas: contracts; policies and allowances; flexible resourcing; and pay and grading. In March 2017, the BBC's executive committee approved progress in these four areas to take forward for further discussion with trade unions.

## Part Three

### Oversight of workforce planning and management

**3.1** This part examines how the BBC's senior executives have overseen workforce planning and management in recent years, including their attempts to improve central management information and control and to simplify the organisation's structures.

#### **Workforce planning**

**3.2** Responsibility for workforce planning and management rests with the BBC's divisions. Acting on direction and guidance from the BBC's executive management and central teams, divisions prepare three-year workforce plans as part of the rolling three-year financial budgeting process, setting out headcount forecasts alongside their financial projections.

**3.3** Before 2014, divisions had a high degree of autonomy, preparing their workforce plans with the help of divisional human resource (HR) business partners working closely with divisional management. Accountability for workforce management outside the divisional structure was primarily focused on overall cost control, keeping within divisional pay bill budgets and, in particular during the period since 2010-11, delivering efficiency savings.

#### **2014 workforce review**

**3.4** While reductions in payroll staff numbers and costs were successfully made in the period after 2010-11, it was initially difficult for the BBC's central HR teams and executives to understand in a timely way how these changes were being achieved and to track progress against other workforce commitments. In part, this was because workforce data provided to the centre varied by division, making it difficult to compare.

**3.5** In February 2014, the director general asked the BBC to carry out an efficiency review as he was concerned that many of the savings achieved to date had come from structural or one-off initiatives and that there might be further scope to simplify and streamline the BBC's operations. In March of the same year, the BBC asked divisions to review their workforces, providing central management with more detailed information than it had previously had about workforce numbers and composition, and how these had changed since 2007, and about divisional plans to 2017. The review was the starting point for a number of changes to workforce management in the following years.



## Professional services

**3.6** The 2014 workforce review identified scope for further efficiency through simplifying and streamlining a number of BBC support functions. In response, in April 2015, the BBC launched a review of professional services, such as legal services, communications and marketing.<sup>7</sup> The BBC has now sought to redesign such services, including giving consideration to the best operational model to deliver them (in divisions or centrally or via a contract), simplifying management structures and job titles, benchmarking efficiency, reducing duplication, and, where warranted, closing posts. The BBC aims to complete this work by April 2017 and estimates that it will result in annual savings of £25 million and about 500 post closures by the end of 2017-18.

**3.7** The review of professional services forms part of the wider Simplification programme that the BBC started in 2015 to deliver savings of £150 million a year by 2017-18 (paragraph 1.8). In total, the BBC has plans for this programme to deliver 1,000 post closures by the end of 2017-18.

## HR transformation

**3.8** Benchmarking undertaken as part of the 2014 workforce review showed that the size of the BBC's HR function compared poorly to that of peer organisations, with a ratio of HR staff to all staff of 1:40. The review specifically identified some potential duplication between in-house and outsourced services. The BBC drew on this and other research to set a target ratio of 1:70.<sup>8</sup>

**3.9** In May 2015, the BBC therefore approved a programme to transform HR, commissioning a comprehensive upgrade to the relevant IT systems, and creating a new HR Service Centre in Birmingham, incorporating HR staff who had previously undertaken transactional roles in divisions. This centralisation enabled the BBC to standardise and simplify what had been many localised procedures and approaches.

**3.10** Transformation has also helped to reduce duplication of roles. As part of the changes, the BBC brought back in-house approximately 95 transactional roles from Capita, previously its HR service provider. The BBC also established an in-house resourcing function, which it assessed to be a more cost-effective option than an outsourced approach. On completing the programme in November 2016, the BBC estimated that its overall HR costs would reduce by £10.1 million a year from 2017-18. It also anticipated that, by March 2018, the ratio of HR staff to all staff would be 1:72, ahead of the programme's target of 1:70.

<sup>7</sup> HR and technology services were excluded from the scope of this review as HR was the subject of its own transformation programme, while technology was being restructured as part of the creation of Design and Engineering (Figure 2).

<sup>8</sup> The BBC's business case for its HR Transformation programme considered, in addition to the 2014 benchmarking which identified a ratio of 1:97, peer benchmarks from three other sources, with median ratios of 1:70 (2010); 1:60 (2012); and 1:79 (2013).

## Management layers

**3.11** The 2014 workforce review also found that there was scope to reduce the layers of management in some parts of the BBC. Different approaches to management had developed in separate parts of the organisation over time, leading to inconsistency and unnecessary cost. In 2011, just over 75% of the BBC's public service broadcasting staff had been within six management layers of the director general. By 2016 this had increased to 90% (**Figure 10**). The BBC aims to have all staff within seven layers of the director general, but a small proportion – 1.5% in December 2016 – continue to lie outside this model.

**3.12** The BBC's central HR team has now developed common organisational design principles to guide any further changes to the structure of the organisation, so that they align with a single set of expectations. The guidance combines existing principles, for example on organisation layers, with new ones, such as generic divisional structures. The BBC has already used the principles in reviewing some professional services and in reorganising staff inside the new divisions created in 2016.

## Central oversight

**3.13** Since 2014, the BBC has taken a number of steps to improve central oversight and coordination of divisions' workforce management. The centralisation of responsibility for HR, with the incorporation of divisional HR staff into the central HR team (paragraph 3.9), means that central functions are better placed to encourage consistency between divisions and to share good practice.

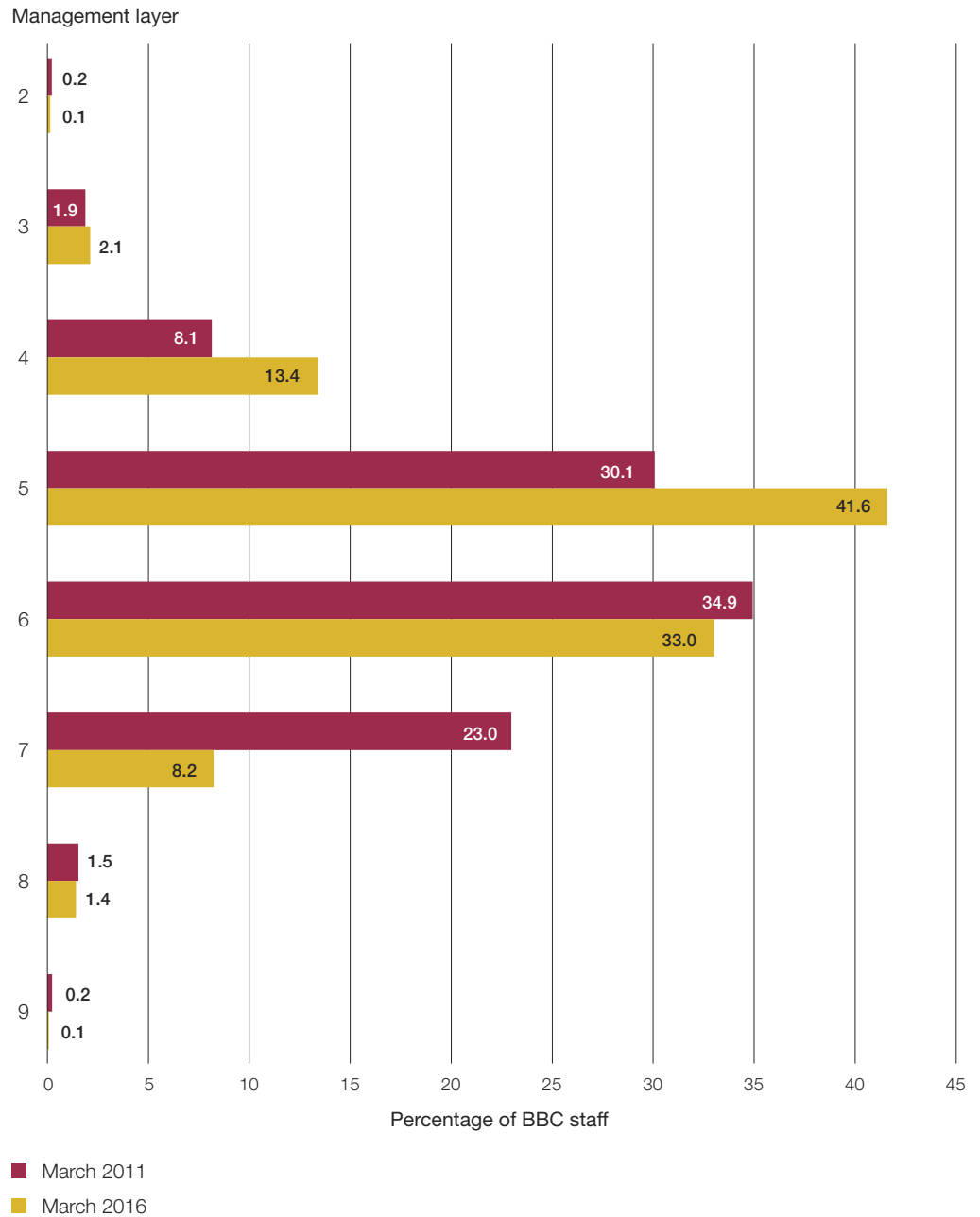
**3.14** As part of the budget setting process, divisions are required to submit for central approval the financial and staffing implications of new investments in strategic initiatives. This enables the central management of the BBC to understand the aggregate impact on the workforce of the portfolio of major strategic initiatives the Corporation has under way.

**3.15** The BBC has now standardised and strengthened its control over decisions about divisional workforces. While the BBC had a long-standing requirement that all business cases for major restructuring programmes required approval by its senior management, and had strengthened in 2013 the BBC Trust's role in approving senior management remuneration and severance packages, arrangements for approving other workforce decisions had varied between divisions. In September 2016, the BBC standardised these arrangements using a six-tier model (**Figure 11** on page 34).

**Figure 10**

Management layers at the BBC, 2011 and 2016

By 2016, 90% of the BBC's public service broadcasting staff were within six management layers of the director general, compared with 75% in 2011



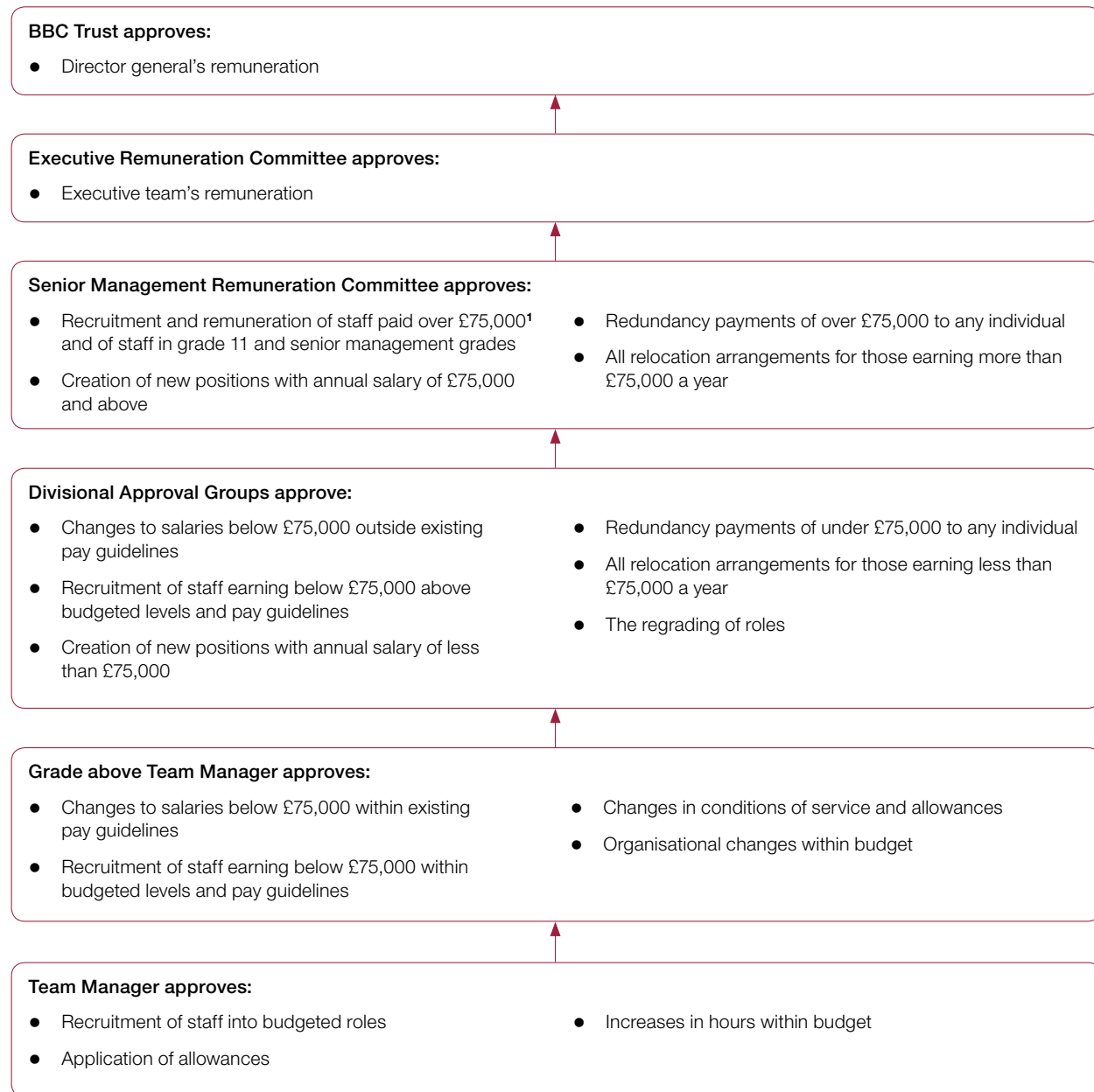
**Note**

1 Management layer number one is the director general.

Source: National Audit Office analysis of BBC data

**Figure 11**  
BBC approval of workforce decisions

The BBC has adopted a six-tier governance structure for workforce decisions



**Notes**

- 1 Where the salary is £150,000 a year or above, final approval rests with the director general.
- 2 From April 2017, the BBC Trust was replaced by a new unitary board, alongside regulation by Ofcom.
- 3 Membership of the Executive Remuneration Committee includes at least three of the BBC's non-executive directors.
- 4 Membership of the Senior Management Remuneration Committee includes one non-executive director member of the Executive Remuneration Committee.

**3.16** Improvements in planning and decision-making have been accompanied by improvements in management information:

- The BBC has updated the Clearview system it uses to track savings made as part of major efficiency programmes, so that from May 2016, it is integrated with information on workforce reductions and redundancy payments.
- Since 2015-16, the BBC has included more information about variable staff in its quarterly finance reports to management. As part of divisional analyses incorporated into these reports during 2016-17, explanations are now given for variances between forecast and actual payroll and variable staff.
- In September 2016, the BBC began to report separately, regularly and in more depth about a range of workforce issues, drawing more data from its upgraded HR systems (paragraph 3.9). These HR reports include performance metrics for its workforce commitments and organisational design principles, for example the number of management layers, the average management span, and the number of senior managers, both in absolute terms and as a percentage of the workforce. At the time of our review, this reporting was relatively new, with some data cleansing still required and scope for further enhancement of some indicators, for example the value of training activity.

# Part Four

## Future workforce management

**4.1** In June 2016, the BBC classified workforce matters as one of its key strategic risks. This part examines the future workforce challenges that the BBC faces, and looks at some of the improvements the Corporation could make to workforce management.

### **Current workforce initiatives**

**4.2** The BBC is continuing to implement changes to its workforce based on a number of initiatives already described in this report. These include:

- completing the organisational redesign that followed the 2016 divisional restructuring (paragraph 1.4);
- completing the 1,000 post closures required by the Simplification programme (paragraph 3.7); and
- completing and implementing the delayed reviews of senior management roles (paragraph 2.13) and staff terms and conditions (paragraph 2.24).

**4.3** In addition, the BBC announced in October 2016 some 300 post closures in its Studios division, as it sought to improve its competitiveness ahead of the division becoming a commercial subsidiary. This represented one-sixth of the Studios workforce. At the time of our review, the BBC was continuing to work through the full implications of its decision to create BBC Studios, but it is likely in future that it will adopt a more flexible workforce model as workload rises or falls depending on the number of commissions it wins.

**4.4** During 2016-17, the BBC also planned to recruit more than 900 new staff for the World Service, following the government's November 2015 decision to spend an additional £289 million on the service between 2016-17 and 2019-20. The extra staff will, in part, be involved in providing 11 new language services. The BBC was initially too optimistic about the pace at which it could achieve this large-scale recruitment. In December 2016, internal reporting showed that, for the World Service, delays in recruitment had meant that the BBC would only be able to take on an additional 318 payroll staff by the end of 2016-17, compared to a budgeted figure at the start of the year of 921.

## Future strategic planning

**4.5** In early 2017, the BBC started its strategic business planning for the first part of the new Charter period, which began on 1 January. As part of this exercise, it is revisiting its workforce objectives (Figure 3) and preparing workforce plans to reflect both the new Charter itself and other changes, such as increasingly separating commissioning from production, and consolidating digital and engineering functions.

**4.6** The BBC has provisionally set itself the aim of reducing its costs by £800 million a year by 2021-22 so as to be able to live within the new financial settlement it agreed with the government.<sup>9</sup> This makes it highly likely that further staffing reductions will be needed. Given the savings already made in recent years, we expect that divisions will find the search for new efficiencies harder than in the past, with many of the easier and more obvious savings already made. The BBC as a whole may need to consider some radical options in order to live within its budgets in future, while delivering its ambitious strategic plans.

**4.7** Among other things, the requirement to deliver further changes to the size and composition of its workforce means that the BBC may face an increased risk of organisational strain, including the potential for a large number of parallel initiatives to impact adversely on staff morale. The BBC recognises, and is seeking to manage, this risk, for example by combining various established boards overseeing corporate initiatives into a single change board, with the aim of providing senior leaders with greater visibility of changes happening across the BBC and to promote collaborative working and engagement.

**4.8** At present, the BBC does not ask a specific question in its staff survey about its management of change initiatives. Recent staff survey results appear to demonstrate that staff morale and engagement have been maintained, with about 90% of respondents to recent annual staff surveys saying they were proud to work at the BBC, and about the same proportion saying they were prepared to put in extra efforts to help the BBC. However, confidence in decisions made by the Executive Team and divisional leadership stood at just over 40% in 2015. Given the ongoing levels of substantial change, the BBC may consider introducing specific questions on staff experience of change management, similar, for example, to those included in the Civil Service People Survey.

## Areas for further improvement

**4.9** As a result of the improvements described in Part Three, the BBC is now better placed in terms of workforce oversight and management to respond to the challenges ahead. In this context, there are a number of areas where we see scope for further improvement.

<sup>9</sup> The £800 million includes the £150 million savings required by 2017-18 (paragraph 3.7).

## Recruitment and retention

**4.10** The BBC has faced ongoing difficulties in recruiting and retaining staff in some parts of its business, and this is likely to continue in future. In particular, the BBC has faced recruitment and retention challenges for certain digital roles, meaning that it has had to make more use of temporary staff and contractors in this part of its business. During 2016-17, the BBC has continued to face difficulties in recruiting payroll staff with digital and technology skills. As a result, in December 2016, the Design and Engineering department accounted for at least 280 of the Corporation's total of 560 vacancies. Many of these gaps were being filled with more expensive variable staff.

**4.11** Managers in the Design and Engineering division told us that the BBC's policies and obligations as a public body sometimes constrained its ability to compete for staff whose skills are in high demand in the economy as a whole, including with the BBC's commercial competitors. The BBC confirmed that, at the time of our review, it was in the early stages of developing its strategic workforce planning approach in this division, and that it was also taking specific steps to improve recruitment and retention, including focusing on developing graduate, trainee and apprentice roles.

## Budgeting and forecasting

**4.12** Internal reports and minutes we reviewed demonstrate that the BBC has scope to improve the accuracy of its headcount budgeting and forecasting. The BBC now reports quarterly to senior management on its budgeted, actual and forecast staffing numbers and costs by division, for both payroll and variable staff. As noted in paragraph 4.4, the BBC budgeted optimistically in 2016-17 about the pace with which it could implement a large-scale recruitment of World Service roles. Also, since 2015-16, when it started reporting in greater detail on variable staff, it has needed substantially more of them than it has budgeted for.

**4.13** In 2015-16, the BBC spent £49 million (49%) more than its budget for variable staff. This was mainly due to changes in the scheduling of productions and the recruitment and retention challenges noted above. Of this extra spending, £30 million was offset by less being spent on payroll staff, because of the higher level of vacancies. A similar picture emerged in the most recent in-year finance report to senior management that we reviewed. In December 2016, the BBC assessed that it was set to overspend its variable staffing budget for 2016-17 by £45 million (41%), but that £38 million of this would be offset by an underspend on payroll staff. The reasons given were similar to those for 2015-16, including: the scheduling of productions in the Studios and News divisions; and the challenge of recruiting and retaining Design and Engineering staff.



**4.14** Forecasting is an inherently provisional activity with all forecasts liable to change. Some of the difficulties the BBC faces will be hard to fix, in particular the short lead-in times for production scheduling, which can lead to staffing requirements where it is more cost-effective to employ variable staff. However, there is scope to improve the assumptions that underpin its forecasts, for instance by making more realistic assessments of the speed with which significant changes to payroll staffing can be made and vacancies can be filled in areas where the BBC is aware that the recruitment context is challenging. Improving forecasting is important because relying more heavily than planned on variable staff to fill vacancies has financial implications: on a unit cost basis variable staff cost more than payroll staff. The BBC initiated a project in February 2017 to move responsibility for headcount reporting from its Finance team to HR by the end of the 2017-18 financial year. As part of its evaluation of key strengths, weaknesses and risks within this review, it needs to reassess the accuracy and comprehensiveness of its headcount forecasting.

#### Variable staff

**4.15** Over the period covered by our review (2010-11 to 2015-16), the BBC did not report centrally in a consistent way on variable staff in management reports. 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. Since 2015-16, the BBC has begun providing more information to executive management about the numbers and costs of variable staff (paragraph 2.8). Variable staff data are particularly sensitive to peaks and troughs leading to sometimes quite marked changes from month to month, again often caused by alterations in the scheduling of productions. In 2015-16, improvements in the BBC's management information meant that it developed the capability to produce averaged annualised data on its use of variable staff for the first time, to remove the effects of peaks and troughs, though it does not yet report in this way in its executive finance reports. In future, if the BBC adheres to a consistent set of definitions for variable staff and the same approach to annualising data, it will be able to track trends more effectively. This would enable it to understand better its total requirement for staff.

# Appendix One

## Our audit approach

**1** This study examined whether the BBC has put in place arrangements to deliver a workforce strategy that meets its objectives and delivers value for money. It assessed whether the BBC has:

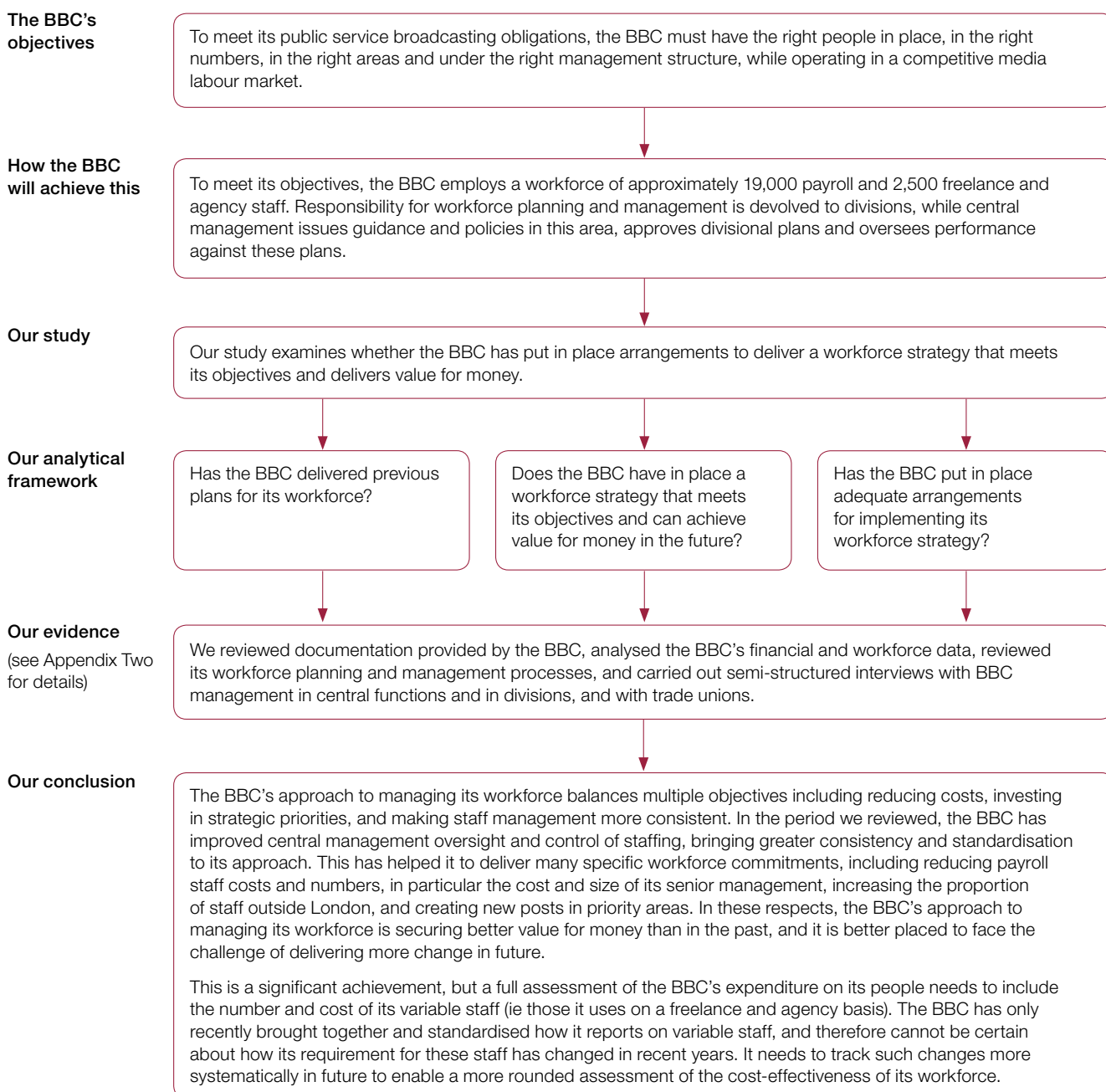
- delivered its previous plans for its workforce;
- put in place a workforce strategy that meets its objectives and can deliver value for money; and
- put in place adequate arrangements for implementing its workforce strategy.

**2** We applied an analytical framework with evaluative criteria that considered whether the BBC was managing its workforce effectively. We drew on our previous work on workforce management across government.

**3** Our audit approach is summarised in **Figure 12** and our evidence base is described in Appendix Two.

**Figure 12**

## Our audit approach



# Appendix Two

## Our evidence base

**1** We reached our conclusions on whether the BBC has put in place arrangements to deliver a workforce strategy that meets its objectives and delivers value for money following analysis of evidence collected between September and December 2016. Our audit approach is outlined in Appendix One.

### **Document review**

**2** We reviewed workforce, financial and business documentation provided by the BBC, covering strategy formulation, workforce planning, implementation, monitoring and evaluation, including the BBC's own benchmarking of its workforce, to understand whether the BBC had:

- delivered its previous objectives and plans for its workforce;
- adopted a logical and well-evidenced approach to compiling its workforce plans; and
- put in place adequate arrangements for implementing its workforce plans.

### **Data analysis**

**3** We analysed the BBC's financial and workforce data. This analysis allowed us to understand changes over time in the BBC's staff costs, numbers, senior management, grade mix, grade definitions, management layers and spans of control.

### **Process review**

**4** We examined the BBC's processes for workforce planning and management, including the processes for collecting relevant supporting evidence and central challenge of workforce submissions from divisions. As part of this, we examined in more detail workforce planning in two case study divisions, Design and Engineering, and Nations and Regions.

**5** As part of this examination, we reviewed relevant research on good practice in workforce planning, and drew on evidence from our previous work in this area.

## **Interviews**

**6** We carried out semi-structured interviews with BBC managers in central functions, such as Finance and Human Resources, and in divisions, in Birmingham, Cardiff, Glasgow, London, and Salford. We sought to understand the respective roles and responsibilities of central and divisional managers for workforce planning and management, and the processes they followed.

**7** We also interviewed key union stakeholders, BECTU and the National Union of Journalists, for their views on workforce management in the BBC.

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