



BBC In-House Television Commissioning

Review by Ernst & Young LLP commissioned by the
BBC Trust's Finance and Strategy Committee

BBC's Trust Response

To the Ernst & Young LLP Value for Money study

As part of its role under the Royal Charter 2006 the BBC Trust acts as the guardian of the licence fee revenue and the public interest in the BBC. We commission Value for Money investigations into specific areas of BBC activity to ensure that licence fee payers are getting the best possible return on every pound of their licence fee. In general, the public judges the BBC very much on its 'output', in the case of this study on the programmes it watches on television. It is part of the Trust's job to ensure that the BBC's systems are strong to ensure the best output possible within the available budget.

Each year the Trust commissions a series of Value for Money reviews after discussing its programme with the Comptroller and Auditor General – the head of the National Audit Office (NAO). The reviews are undertaken by the NAO or other external agencies reporting to the Trust, in this case Ernst & Young LLP.

The main finding from this study is that the BBC is doing a good job in ensuring Value for Money when selecting the programmes that are to be made by the BBC's own programme-makers.

Making television programmes using the BBC's own staff, known as In-House commissioning, accounts for a quarter of all the money the BBC spends each year. Combined with independent commissioning (using private contractors to make programmes), which the Trust examined last year, the TV commissioning area accounts for spending of around 40 per cent of the annual licence fee. BBC Vision is the division of the BBC responsible for this spend.

It is therefore critical that BBC Vision's processes for commissioning In-House productions drive Value for Money and reflect the wider strategic objectives agreed with the Trust – particularly those relating to quality and distinctiveness. At a high level the Trust is very pleased with the findings of the report which has presented a healthy picture of BBC Vision's processes.

The Trust believes that in almost all areas the right balance is being struck between strategic objectives and driving Value for Money through the In-House commissioning process. In particular there is a strong recognition from commissioners that Value for Money can only be achieved if quality is maintained and the drive for efficiency is not interpreted as being about cutting costs in such a way that the value of the BBC's output is somehow compromised.

The Trust is also pleased that the Executive is evolving other processes to enhance the In-House commissioning process to improve Value for Money even further including reinstating the Slate Review¹ to look at television output as a whole, not just by channel or programme. The Trust also believes that developing best practice shared between genres may have significant benefits.

The Executive has responded favourably to this report and detail a number of processes which they plan to implement to enhance current practice within the In-House commissioning process.

There are two areas of the report where the Trust believes there is further to go in linking the work that BBC Vision does with the BBC's wider strategic objectives:

First, we have asked the Executive to discuss more widely amongst the commissioning teams evidence collected following consultation about the public's priorities and particularly those areas where the public felt the BBC can and should do better. This includes innovation and the distinctiveness of the BBC's output, but also getting better at serving audiences in all parts of the UK thus ensuring the BBC becomes more representative.

Indeed, across all its work, including the Impartiality Review of Nations and the Executive's own Network Supply Review, the Trust has stressed this goal. The Trust accepts that this shift in the way the BBC commissions its content may cause some temporary dislocation in elements of the central commissioning processes. Whilst a careful balance has to be struck between the efficiency of processes and realising the wider benefits of a BBC working at scale across the UK, the Trust is keen to ensure that where possible the Executive appreciate the benefits from working outside the London area to achieve even greater Value for Money, rather than simply regard it as a cost. Production outside of London should be based on developing viable and sustainable centres of excellence rather than seeking to import talent.

Second, the Trust also notes the lack of regular, formal monitoring at a portfolio level within In-House commissioning content.

The Trust is pleased that a strong culture of demanding quality productions is identified in the report and that there is a system of peer review and attention to measures such as the audience appreciation index (AI). This occurs largely at the individual programme level to enable stand-alone decisions about returning programmes.

However the Trust would like the Executive to explore whether there is the opportunity to align performance measurement within the In-House commissioning process with the key performance measures developed alongside "Delivering Creative Future"². Adoption of these measures should act as a safeguard for quality as commissioners work within the demands of the BBC's efficiency programmes.

These points should not detract from the overall conclusion that the BBC is performing well in a critical area of value for the audience. The Trust thanks Ernst & Young for undertaking this review and for the report's conclusions and recommendations. This report highlights strong practices in place across the In-House commissioning process and the Trust congratulates the BBC Vision team on its performance.

BBC Trust
June 2008

¹ A framework to measure performance at portfolio level

² Delivering Creative Future – the six year strategy for the BBC which was approved by the Trust in October 2007

BBC Executive Response

To the Ernst & Young LLP Value for Money study

Introduction

The BBC welcomes the Ernst & Young review of the Value for Money of BBC In-House Television commissioning. The report, commissioned by the BBC Trust, is one of three studies reviewing the area of BBC commissioning and sits alongside the study into Value for Money in commissioning Independent Productions completed by Deloitte in 2006 and the review of the WoCC,³ currently in progress.

We welcome the positive tone of the report and the recognition of our strongly embedded focus on Value for Money. The report makes some valuable observations and recommendations for improvements whilst also acknowledging the progress that BBC management has already made in implementing many of the recommendations.

Comments on Ernst & Young overall conclusions

The Report acknowledges the rapidly changing and complex environment that the BBC is operating in and recognises the need for the BBC to ensure it is well placed to continue to make the best use of restricted funds to deliver high quality programming to a diverse audience whilst responding to technological developments. The BBC therefore welcomes Ernst & Young's conclusions that:

- The BBC recognises the importance of increasing Value for Money when commissioning In-House productions and that there is a good understanding of the concept of Value for Money and how it applies to the BBC in that context.

- The cultural environment within the BBC supports the goal of continuing to deliver high quality content to audiences when and how they want it, whilst aiming to maintain quality with less resource. The corporate environment encourages each genre to focus on delivering Value for Money.
- BBC's commissioning framework for In-House production is designed around targets that are clearly linked to the BBC's strategy.
- The increasing focus on Value for Money in the BBC's culture together with the existing frameworks means that the BBC is in a strong position to continue to drive forward the Value for Money agenda.

Observations on Ernst & Young recommendations

The Report also outlines some valuable recommendations on how BBC management can improve on current practices. The main recommendations are considered below;

Extending performance measurement so that performance is monitored at a portfolio level as well as at the level of individual programmes

BBC Vision is planning to re-introduce the 'Slate Review', a detailed review of the performance of the overall genre slate of programmes against several different measures, including Value for Money criteria. This review will be improved to capture greater consistency in performance measurement across the genres.

³Window of Creative Competition, introduced in 2007

Increasing cross-genre knowledge sharing

BBC Vision has introduced the Commissioning Business Group, meeting monthly from May 2008, which will enable the cross-genre sharing of ideas and learning.

Further aligning with the Independent Commissioning Process by formally introducing Editorial Specifications

This work was already underway, full Editorial Specifications for all In-House productions will be implemented from July 2008.

Enhancing pricing decisions through the use of external benchmarks and evolving frameworks that reflect the emerging multi-platform, multi-transmission environment

Formal external benchmarking of programme prices is difficult to achieve given the sensitive and commercial nature of the information involved. Where benchmarking exercises have been possible with other broadcasters in the past the BBC has participated although clear and actionable conclusions have not always emerged due to incomplete or unrepresentative data sets.

Nevertheless BBC Commissioners have extensive market experience and continue to work on improving its market intelligence. Business models are regularly reviewed to ensure they reflect the evolving environment, especially concerning multiplatform commissioning.

We are satisfied that the challenges involved in achieving Value for Money have been recognised, especially in relation to the extensive quotas, commitments and targets framework the business operates within and their impact on Value for Money. We welcome the Ernst & Young recommendation to the Trust in this area.

Conclusion

We believe the Report offers a fair reflection of how Value for Money is delivered in the commissioning of In-House production and overall we endorse the findings of the Report.

BBC In-House Television Commissioning

Ernst & Young review presented
to the BBC Trust's Finance
and Strategy Committee
in May 2008

Preface

The BBC Trust has commissioned Ernst & Young to review BBC Vision's processes for commissioning In-House productions in order to provide insight into the way in which they drive Value for Money and to provide recommendations for improvement. Our engagement was performed in accordance with our engagement letter dated 11 December 2007, and our procedures were limited to those described in that letter.

Results of our work/Period covered by our procedures/Recommendations

During the period 4 February to 31 March 2008 Ernst & Young carried out interviews, documentary reviews and practical observations in order to draw conclusions and provide recommendations. Our report resulting from our work (engagement) is attached.

Scope of our work

As outlined in our engagement letter, our report to you is based on inquiries of, and discussions with, management. We have not sought to confirm the accuracy of the data or the information and explanations provided by management.

Our work has been limited in scope and time and we stress that more detailed procedures may reveal issues that this engagement has not. Our report does not constitute an audit or review in accordance with any generally accepted auditing or review standards.

Restrictions on the use of our report

Our report is intended solely for the information and use of the management of the BBC Trust and is not intended to be and should not be used by anyone other than this specified party. Ernst & Young therefore assumes no responsibility to any user of the report other than the BBC Trust. Any other persons who choose to rely on our report do so entirely at their own risk

Glossary

AI: Appreciation Index

BARB: Broadcasters, Audience Research Board

BBC: British Broadcasting Corporation

CSR: Content Supply Review

EEA: European Economic Area

EU: European Union

NAO: National Audit Office

Ofcom: Office of Communications

RQIV: Reach, Quality, Impact and Value

SoPPs: Statements of Programme Policy

WoCC: Window of Creative Competition

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1. Executive summary

“Our review has found that the BBC has made significant progress in delivering Value for Money in commissioning In-House productions. The BBC Executive is already addressing many of the areas for improvement identified during our study. The increasing focus on Value for Money in the BBC’s culture together with the existing frameworks means that the BBC should be in a strong position to continue to drive forward the Value for Money agenda.”

Introduction

- 1.1 The BBC Trust has commissioned Ernst & Young to review BBC Vision’s processes for commissioning In-House productions in order to provide insight into the way in which they drive Value for Money and to provide recommendations for improvement.
- 1.2 The BBC is operating in a rapidly changing and complex environment. It must ensure that it is well placed to respond to the challenge to continue make the best use of restricted funds to deliver high quality programming to a diverse audience whilst responding to technological developments.
- 1.3 As a result of changes in the operating environment, the relationship between In-House and Independent productions has been evolving. The BBC Trust commissioned a study into Value for Money in commissioning Independent productions⁴ and under the terms of the charter, the BBC Trust will also undertake a review of the WoCC⁵. The first review is currently underway. Our review focuses only on the frameworks in place for commissioning In-House network productions.
- 1.4 Our review has found that the BBC has made significant progress in delivering Value for Money in commissioning In-House productions. The BBC Executive is already addressing many of the areas for improvement identified during our study. The increasing focus on Value for Money in the BBC’s culture together with the existing frameworks means that the BBC should be in a strong position to continue to drive forward the Value for Money agenda.

Value for Money in commissioning In-House productions

- 1.5 The BBC recognises the importance of increasing Value for Money when commissioning In-House productions. We found that across the three genres reviewed for this report (Knowledge, Fiction and Entertainment) there is a good understanding of the concept of Value for Money and how it applies to the BBC.
- 1.6 The BBC has already begun its journey towards ‘Delivering Creative Future’, as set out in the six-year plan launched in October 2007, which describes in detail how the strategic direction set by the BBC Trust will become a reality. This journey is taking place within a cultural environment that supports its end goal of continuing to deliver high quality content to audiences when and how they want it. The response of BBC management and staff to the licence fee settlement and consequent financial pressures is to focus on maintaining quality output with less resource.
- 1.7 The corporate environment and culture encourages each genre to focus on delivering Value for Money, although they each do this in different ways.

⁴ BBC Independent Television Commissioning by Deloitte & Touche LLP (Deloitte)

⁵ Window of Creative Competition, introduced in 2007

The commissioning framework

- 1.8 The BBC's commissioning framework for In-House productions is designed around a set of targets that are clearly linked to the BBC's strategy. These targets cover a wide range of factors, one of which is Value for Money. The three genres employ the same basic structure to deliver their targets, although decision making and management differs from genre to genre.

Opportunities for improvement

Managing targets

- 1.9 It is not always possible for the BBC to achieve balance in meeting its various quotas and objectives. In achieving one it is sometimes necessary to override another. There is particular concern around the impact of Nations and Regions targets and the BBC should review the management of these challenges (for instance, by developing local resource and talent pools). The BBC Trust should review the target structure to ensure that quotas and objectives are complementary and do not have an adverse impact on commissioning.

Extending performance measurement

- 1.10 Performance measurement occurs at two levels. It is being undertaken at an individual programme level to make stand-alone decisions about returning programmes. There is also a framework in place to measure performance at a portfolio level (the 'Slate Review'). Although this has not taken place for the last two years, we understand that the Vision Board will reinstate this in the autumn with improvements to ensure greater consistency in performance measurement. Whilst there are a number of fora in which performance within genres is evaluated, performance measurement could also happen at a third level to look systematically at performance at an individual programme level and apply programme-specific learning more widely across the genres.

Increasing cross-genre knowledge sharing

- 1.11 Whilst there are good reasons for doing things differently between genres and existing frameworks address some of the major issues, in some less significant areas the lack of common process and vocabulary may be an inhibitor to cross-genre learning and performance comparison between genres. We believe that there are opportunities to build on best practices by sharing experience across genres and various initiatives are underway to address this, including the introduction of the Commissioning Business Group.

Aligning with the independent commissioning process

- 1.12 Whilst the In-House commissioning process is inclusive and iterative, allowing issues to be identified at an early stage, and the broad frameworks are the same as those in place for commissioning Independent productions, there is a case to be made for further aligning the process with that used for Independent commissioning by formally introducing Editorial Specifications. This would ensure greater consistency, transparency and rigorous commercial practice.

Enhancing pricing decisions

- 1.13 In agreeing an appropriate budget for an In-House production, Commissioners aim to establish a price that achieves the optimum balance between quality and cost and reflects the value of the programme. Commissioners currently base their decisions on their extensive market experience. The information used to make these decisions could be enhanced by further use of external benchmarking and by ensuring that frameworks evolve to reflect the emerging multi-platform, multi-transmission environment.

Moving forwards

- 1.14 The focus on delivering Value for Money in commissioning In-House productions is increasing as a result of the introduction of the WoCC and the launch of 'Delivering Creative Future' and the BBC has already made significant progress. There are opportunities to improve Value for Money and the BBC is well positioned to deliver them. The BBC has recently launched Project Jewel. Project Jewel, as part of a broader remit, aims to respond to the challenges arising from the efficiency plans by, amongst other initiatives, increasing cross-genre learning and further aligning In-House and Independent commissioning as appropriate. The success of this project and the reintroduction of the Slate Review are key enablers in continuing to improve Value for Money.

2. Context

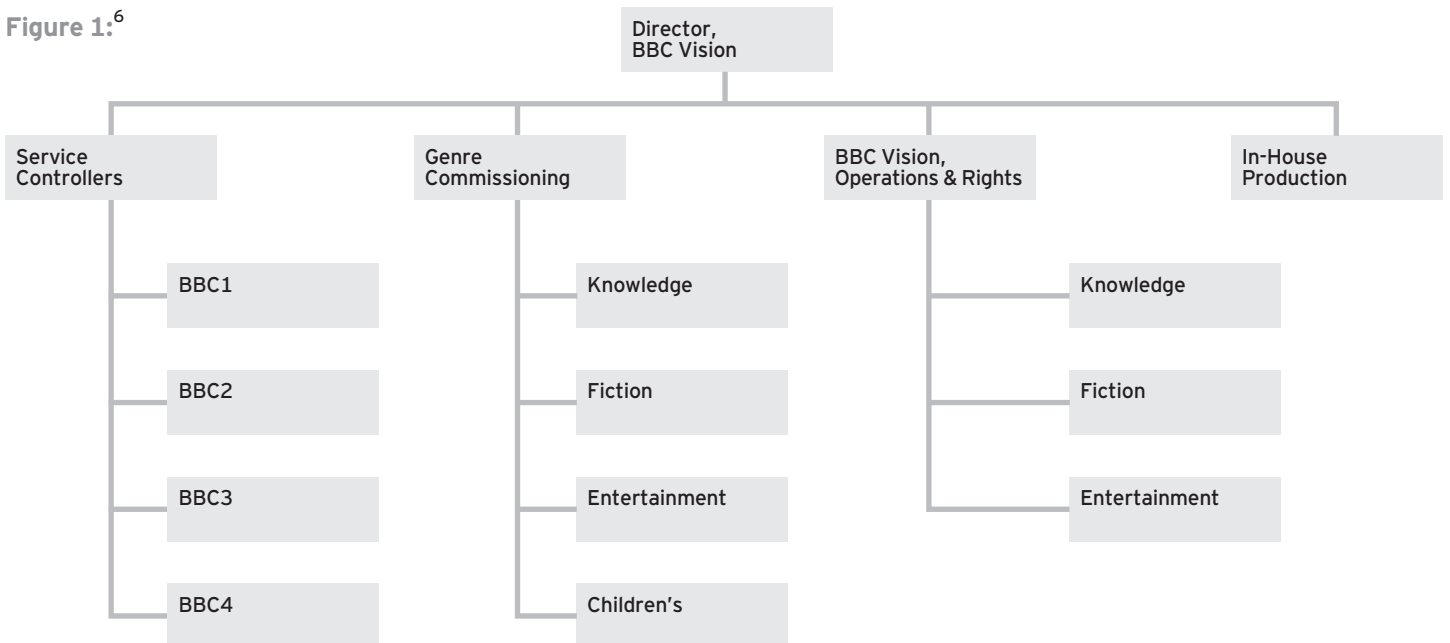
Objectives

- 2.1 Under the Royal Charter, which came into effect on 1 January 2007, the BBC Trust has a duty to act as steward of the BBC's licence fee income and to uphold the interests of licence fee payers.
- 2.2 It abides by the Royal Charter by applying high levels of scrutiny to the BBC to ensure that it is using its resources efficiently and is achieving Value for Money.
- 2.3 In contrast to the private sector, where there is a very clear incentive to deliver Value for Money based on the maximisation of profit, the concept of profit does not apply to the public sector generally and the BBC specifically. Other means, including the Trust's scrutiny, are therefore required to ensure Value for Money is delivered and that transparency and accountability is given to the BBC's efforts in this respect.
- 2.4 To this end, in consultation with the National Audit Office (NAO), the BBC Trust is reviewing the BBC's operations as part of a rolling three year plan to ensure that it is using its resources efficiently.
- 2.5 The BBC Trust has commissioned Ernst & Young to carry out a review of the BBC's processes for commissioning In-House productions in order to assess the extent to which they support the delivery of Value for Money and to provide recommendations for improvement.

Scope

- 2.6 BBC Vision was launched in November 2006 and is responsible for commissioning and scheduling BBC linear and non-linear visual content (excluding News, Sport and Local Television). The responsibility for commissioning rests with the genre commissioning teams (see Figure 1). This review examines the frameworks and processes used by these teams for commissioning In-House productions.
- 2.7 The scope of this review is the current framework used by BBC Vision to commission In-House productions for the Channels and Genres set out in Figure 2.

Figure 1:⁶



⁶ Children's is outside the scope of this report

Figure 2:

Channels	BBC1 BBC2 BBC3 BBC4
Genres	Knowledge (Arts, Music and Religion; Current Affairs and Investigation; Documentaries; Factual Features and Formats; Learning; Specialist Factual; Daytime Factual) Fiction (Drama; Comedy) Entertainment (Entertainment; Daytime Entertainment)

- 2.8 In order to represent all BBC network output within each genre on all four channels, this review has considered both network programmes produced in the Nations and Regions⁷ and network programmes produced in London.
- 2.9 The sample of programmes reviewed also represents programmes with a wide range of costs. The sampling approach is set out in further detail in Appendix A.
- 2.10 Although we comment on Independent commissioning in our findings, this is in order to set the context or draw comparisons - no review has been carried out of the Independent commissioning process itself. Editorial decisions are also outside the scope of the review.

Defining Value for Money

- 2.11 In October 2007 the BBC unveiled its six year plan ('Delivering Creative Future'). This sets out a programme of reform which describes how the BBC will continue to deliver high quality content to audiences and make it available how and when they want it. Summarised by Mark Thompson as 'a smaller BBC but one that packs a bigger punch', a fitter organisation will be created with all parts of the BBC required to make efficiency savings which will be reinvested in high quality content and the way in which it is consumed.
- 2.12 This approach builds on the BBC's aim to promote its statements of priority (set out in Figure 3) through the efficient delivery of quality content in a way which is consistent with the Reith principles of informing, educating and entertaining.

⁷ Scotland, Northern Ireland and Wales and non-London productions

⁸ The BBC's performance measurement framework, including RQIV, was reviewed, and broadly endorsed, by the NAO in 2005

Figure 3:

The BBC's Public Purposes	
1.	Sustaining citizenship and civil society.
2.	Promoting education and learning.
3.	Stimulating creativity and cultural excellence.
4.	Representing the UK, its nations, regions and communities.
5.	Bringing the UK to the world and the world to the UK.
6.	In promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television.

- 2.13 The BBC measures the Public Value of its services using four indicators introduced in the publication of 'Building Public Value' in 2005⁸. These are:

- **Reach**
How far does it extend the BBC's reach and usage? Measured by the usage of service over a given period of time and can focus on a particular consideration of reach such as a specific audience and region or programme grade.
- **Quality**
Is it high quality and distinctive? Measured by the quality of any content or technical issues and extent to which it is distinctive from other existing or proposed services.
- **Impact**
Does it create consumer and citizen benefit (i.e. for individuals and/or society as a whole)? Measured by consumer benefit (i.e. assessment of the value licence fee payers would place as individuals) and/or citizen benefits (i.e. benefits created for society as a whole).
- **Value**
What is the delivery cost and will it provide Value for Money? Measured by the cost and efficiency of delivery.

- 2.14 The BBC's Executive Board is responsible for conducting the BBC's operational financial affairs in a manner best designed to ensure Value for Money.
- 2.15 This report considers the way in which commissioning is approached in respect of this responsibility, setting out the way in which BBC Vision is responding to the challenge to deliver high quality output to a diverse and fragmented audience while reducing cost and making best use of limited resources.
- 2.16 In line with previous Value for Money reports commissioned by the BBC Trust, we have used the NAO definition of efficiency (set out in Figure 4) to evaluate the extent to which Value for Money is driven by the In-House commissioning framework, examining the relationship between output (programmes) and resources (funding).



EastEnders

Figure 4:

Economy	Minimising the cost of resources used or required (spending less)
Efficiency	The relationship between the output from goods or services and the resources to produce them (spending well)
Effectiveness	The relationship between the intended and actual results of public spending (spending wisely)

The need to consider Value for Money in In-House commissioning

- 2.17 As a Public Service Broadcaster the BBC is responsible to all licence fee payers and is expected to maintain high standards of programme quality across a broad range of genres in a medium that is accessible to all.
- 2.18 The BBC Trust is ultimately accountable to the public for the way in which the licence fee funds are spent and therefore takes responsibility for holding the BBC Executive to account on their behalf.
- 2.19 The media landscape is evolving rapidly and the BBC is operating in an increasingly challenging environment. New technologies and markets have created a fragmented audience with greater choice - not only in what they watch but in when and how they watch it. This has caused some of the BBC's audience to move away from traditional media sources.
- 2.20 As a Public Service Broadcaster, the BBC must seek to appeal to these viewers, but at the same time has an ongoing duty to deliver to those who remain committed to traditional channels. This audience has in itself evolved and has increasingly high expectations of programming quality, creativity, innovation and distinctiveness.
- 2.21 Therefore, the BBC must aim to achieve a mix of programmes that appeal to a range of audiences, delivering high quality and innovative programmes to a core, traditional audience whilst at the same time responding to the evolving media landscape and technological developments.

Figure 5:

	07/08	08/09	09/10	10/11	11/12	12/13
Licence fee settlement	3%	3%	2%	2%	2%	0-2%
Less ring-fenced amounts for DSHS/DUK	(1.6%)	(1.6%)	(0.6%)	(0.6%)	(0.6%)	0%
Settlement for BBC use	1.4%	1.4%	1.4%	1.4%	1.4%	0%
Adjusted for 2.5% inflation	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%	-2.5%

2.22 The background of funding cuts against which these challenges are arising further adds to the complexities faced by the BBC. In December 2006 the Government ended the twenty year link between the BBC's licence fee and the Retail Price Index. The BBC was awarded the equivalent of RPI - 1.5% and £600million to fund a targeted self help scheme. Although this gives the BBC certainty over income, constrained budgets, as illustrated in Figure 5, means a significant gap between funding and planned activities.

2.23 The introduction of the WoCC in April 2007 has given Commissioners the freedom to make commissioning decisions based entirely on merit. Under the WoCC, 50% of BBC output is guaranteed to be made In-House, 25% is sourced from Independent producers and In-House and Independent producers compete for the remaining 25%. In order to compete with Independents for BBC funds, In-House production must deliver creatively and effectively.

2.24 In responding to this, the BBC reviewed its financial frameworks and production processes and has set practical financial targets in order to drive efficiencies without constraining creativity.

2.25 This report sets out the extent to which the BBC Vision's commissioning framework is responding to the challenge to deliver high quality output to a diverse and fragmented audience whilst remaining competitive, reducing cost and making the best use of limited resources.

Structure of the report

2.26 Our findings and the conclusions and recommendations that we have drawn from these are set out at Section Four of this report.

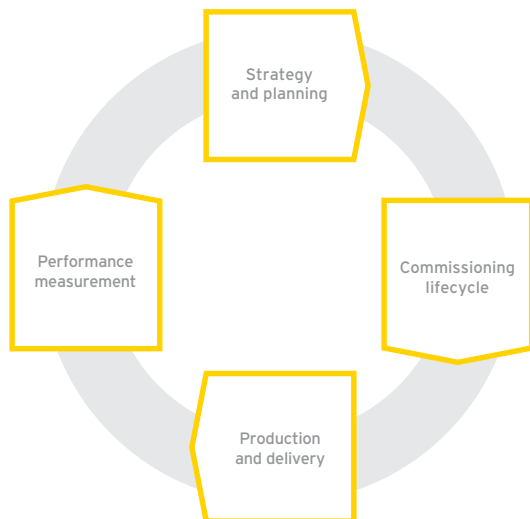
2.27 The methods we used to generate these findings are set out at Appendix A with the detail supporting them included at Appendix B.

3. The commissioning framework

Introduction

- 3.1 Commissioning is one stage in a wider process by which programmes are delivered by BBC Vision. Although the stages which precede and follow commissioning (as illustrated in Figure 6) are outside the scope of this review, we have commented on how each of these influences or is impacted by the commissioning framework in respect of Value for Money.
- 3.2 This review considers the broad governance frameworks in place alongside informal processes used to commission programmes.

Figure 6:



Source: Ernst & Young

The commissioning framework

- 3.3 The genre commissioning framework in place in BBC was first introduced in 2000. Before this point the process was channel based. The In-House commissioning process is broadly the same as that followed for Independent commissioning, which is clearly set out in the Code of Practice and on the BBC website.⁹
- 3.4 The commissioning of Knowledge, Fiction and Entertainment productions in BBC Vision - both In-House and Independent - is managed by the genre teams. These in turn are divided into Editorial and Business Affairs teams. The Business Affairs and Editorial teams meet on a regular basis throughout the commissioning process to discuss the financial impacts of recent developments and any resulting action that may be required.
- 3.5 The genre teams work closely with the channel controllers and In-House production throughout the commissioning process and manage communications between production and the channels.



Friday Night with Jonathan Ross

⁹ www.bbc.co.uk/commissioning

- 3.6 The commissioning process runs on a twenty-week cycle two to three times a year and is broadly structured around four stages, which are set out in Figure 7.
- 3.7 These steps have evolved from a linear structure to an iterative process and programmes can go through the initial steps a number of times before a final commissioning decision is made. The length of the commissioning process varies from a few weeks to years, with Dramas usually taking longer to travel from stage one to four than Knowledge or Entertainment programmes.
- 3.8 The intrinsic differences between genres is reflected in the different ways in which each manages the steps of the commissioning process. For example, the nature of Drama requires the review of scripts to be included in the process.
- 3.9 These differences also extend to the way in which the steps and milestones are documented by the genres. Formal documentation includes the Contender Manager and then On Air, Deal Confirmation, the Tick of New Commissions Approval and Greenlight.
- 3.10 In tandem with the meetings described in Appendix B, a series of business meetings is held between the Genre Commissioners and Business Affairs teams in order to discuss and take necessary actions in respect of the financial impacts of decisions made during the commissioning process. These include the weekly 'Wednesday' cross-genre meetings held by the Head of Operations and Business Affairs and attended by each Genre Head of Operations and Business Affairs at which various cross-genre issues such as systems, reporting (eg Slate Review consistency), business continuity and planning cycles are discussed and low-level management decisions made.

Figure 7:

The commissioning lifecycle



Source: Ernst & Young

4. Findings, conclusions and recommendations

The BBC's corporate environment and culture as a driver of Value for Money

- 4.1 The drive to deliver Value for Money is supported by the cultural environment at the BBC and this drive is implicit in the strategic, operational and performance management frameworks in place for commissioning In-House productions.
- 4.2 BBC staff have been made aware of the implications of the licence fee settlement and the challenge set by the BBC Trust to deliver 3% savings in each year of the settlement period through the publication of 'Delivering Creative Future' and the various communications about this initiative made to staff during 2007. Budgets and expectations are widely communicated through the Buying Model, which sets out the strategy, quotas and commitments within budgetary constraints. Staff understand and recognise the resource constraints within which they have to operate.
- 4.3 The response of the management and staff to the licence fee settlement and consequent financial pressures is to focus on maintaining quality output with less resource.
- 4.4 Quality is considered to be an overriding factor in decision making, although other factors are also taken into account. Interviewees regularly referred to the professional pride of BBC employees. Comments included:
- "There is an entrepreneurial spirit. Teams are pushing the boundaries and finding new ways to do things. No one wants to spend money that doesn't deliver value on screen. People are motivated by the desire to produce good quality output."
 - "Value for Money means only paying for what appears on screen. That means making sure the spend adds value for the audience, like the band on Strictly - expensive but seen to deliver value to the audience."

- 4.5 By constraining budgets whilst requiring high quality output, the In-House production teams are driven to deliver value. This may be achieved by finding creative and innovative ways to deliver or by seeking co-production agreements. A regularly mentioned example of the commitment to 'spend well' (i.e. to deliver quality within a constrained budget) is 'Omaha Beach':

Figure 8:

Case Study - Living the values - Omaha Beach

"Creativity is the lifeblood of the BBC". The 2007/08 Statement of Programme Policy counts this as one of the six core values of the BBC, alongside taking pride in delivering quality and Value for Money.

These values were brought to life in 2007 by three graphic designers working for BBC's Timewatch series. Tasked with recreating the Normandy beach landing for 'Richard Hammond presents Bloody Omaha' (a scene for which Spielberg is said to have used 1,000 extras in Saving Private Ryan) the CGI team of Neil Wilson, Steve Flynn and Colin Thornton exemplified what can be done with a shoestring budget and a great deal of creativity, imagination and innovation.

Armed with fake plastic guns and Rangers uniforms the three ran up and down the beach in different parts of the frame so that these could later be layered on the computer making it appear that hundreds of men are landing on the beach, rather than just three. By separately photographing and filming obstacles and small explosions and dropping these into the scene and filming a green screen cliff climbing sequence to be set against the background, the team of three convincingly recreated the mayhem of Omaha in just four days.

- 4.6 This approach and culture creates a positive environment in which to drive forward the BBC's commitment to delivering Value for Money.
- 4.7 However, it is important that in seeking to achieve the optimum price, budgets are not over-constrained as this could put the quality of output at risk and have an adverse impact on the BBC brand.

The practical application of strategic objectives

4.8 The process of setting the corporate strategy takes place on an annual basis and from now on will be driven by the six year business plan launched in 2007. This strategy is set around the various BBC targets to be met in a financial year. These include Ofcom targets, Value for Money targets and the self imposed Statement of Programme Policy (SoPPs) targets, which are summarised in Figure 9.

4.9 These targets are fed into the Buying Model, which sets out in detail how BBC Vision plans to meet its targets in the financial year and informs the objectives for each channel and genre. The channel targets for 2007/08 are illustrated in Figure 10.

Figure 9:

	BBC1	BBC2	BBC3	BBC4
Independent Quota¹⁰	25%	25%	25%	
Originations (first shows and repeats)	70% hrs, 90% hrs in peak	70% hrs, 80% hrs in peak	80% hrs, 70% hrs in peak	70% hrs, 50% hrs in peak
Regional programmes	1,030 hrs peak time, plus a further 355 hours adjacent to peak time excluding news on BBC1 6,580 hrs regional programming across a range of genres on BBC1 and BBC2, including regional news programmes for BBC 1 At least 95% of regional programmes should be made in the relevant area			
Current affairs	365 hrs of network programming, at least 105 in peak time			
Nations and Regions	At least 30% of qualifying spend and 25% hrs of qualifying hours outside the M25 Maintain the current broad range of programmes produced outside the M25 and broad range of different production centres used across the UK			
EU/EEA			80% programme hrs of EU/EEA origin	70% programmes made in EU/EEA

Source: Statement of Programme Policy 2007/08

¹⁰ The total network independent quota is 25%

Figure 10:

	BBC1	BBC2	BBC3	BBC4
Reach	BBC1 should contribute towards the maintenance of combined BBC weekly reach for all BBC services at over 90% by aiming to maintain its own weekly reach	BBC2 should contribute towards the maintenance of combined BBC weekly reach for all BBC services at over 90% by aiming to maintain its own weekly reach	BBC3 should contribute towards the maintenance of combined BBC weekly reach for all BBC services at over 90% by aiming to increase its own weekly reach, particularly amongst younger adult viewers	BBC 4 should contribute towards the maintenance of combined BBC weekly reach for all BBC services at over 90% by aiming to increase its own weekly reach
Quality	Audience approval of BBC1 and perceptions of it as high quality and innovative. Also, the proportion of originated programmes across all hours (including repeats)	Audience approval of BBC2 and perceptions of it as high quality and innovative. Also, the proportion of originated programmes across all hours (including repeats)	Audience approval of BBC3 and perceptions of it as high quality and innovative. Also, the proportion of originated programmes across all hours (including repeats)	Audience approval of BBC4 and perceptions of it as high quality and innovative. Also, the proportion of originated programmes across all hours (including repeats)
Impact	Audience perceptions of BBC 1 as engaging and challenging	Audience perceptions of BBC 2 as engaging and challenging	Licence fee payer awareness of BBC 3 and audience perceptions of BBC 3 as engaging and challenging	Licence fee payer awareness of BBC 4 and audience perceptions of BBC 4 as engaging and challenging
Value for Money	BBC 1's cost per viewer hour	BBC 2's cost per viewer hour	BBC 3's cost per viewer hour	BBC 4's cost per viewer hour

Source: Statement of programme policy 2007/08

4.10 Each genre holds strategy meetings three or four times a year at which they translate the objectives set at a corporate level in the Buying Model into a detailed representation of how the buying decisions will be met on a slot-by-slot basis (the 'Slate'). Each genre's Slate sets out the programmes already commissioned in previous commissioning rounds and 'TBA' slots, with a description of the characteristics that a programme in each of these remaining slots should exhibit in order to achieve targets.

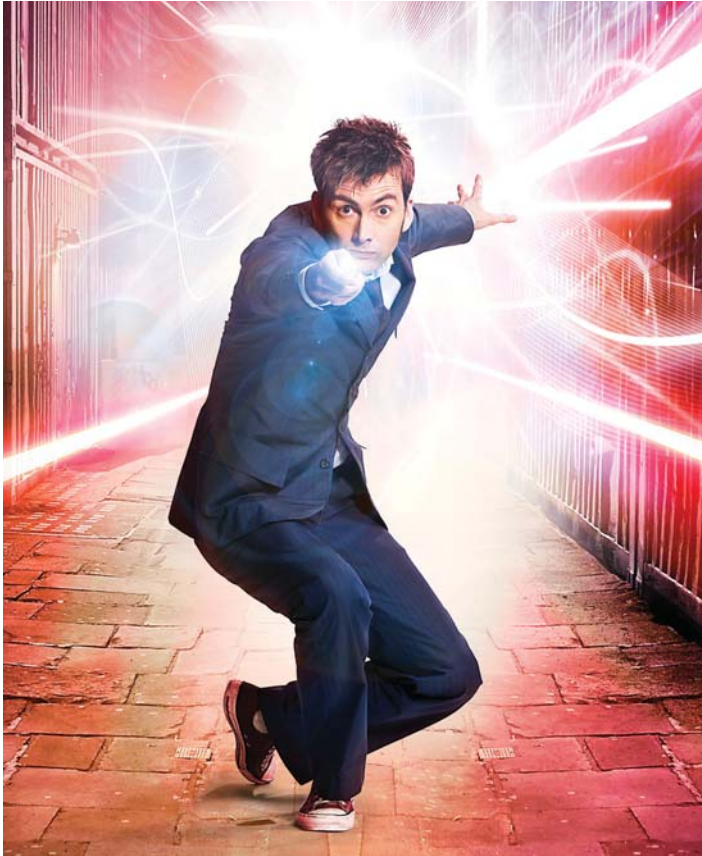
4.11 There is therefore a direct connection between the BBC's overarching strategic objectives and what each Genre Commissioner is tasked to deliver.

The approach to achieving targets

4.12 Approximately one hundred quotas and commitments feed into the Buying Model. These relate both to production arrangements and programme content. Some of the targets and quotas are determined externally by Ofcom and others are imposed by the Trust following consultation.¹¹ These targets include the Independent production quota (25% of qualifying transmission hours), the In-House guarantee (50% of qualifying transmission hours), the Window of Creative Competition (25% of qualifying transmission hours) and the Regional Production quota (30% of qualifying transmission spend and 25% of qualifying transmission hours).

4.13 These quotas are one of a range of factors taken into account in commissioning decisions alongside broader Reach, Quality, Impact and Value considerations.

¹¹ BBC Protocol D3 - The BBC's Quotas and Targets



David Tennant as Dr Who

4.14 Balancing the various targets and objectives can be challenging and in meeting one objective it may be necessary to override another. Genre commissioning teams take a creative approach to managing this. For example, multiple series commissioning can be cost effective and therefore contribute towards meeting Value for Money objectives. However, transmitting a large number of returning series could crowd out new programmes and have a negative impact on the range of programming delivered. Drama has previously addressed this by varying the seasons in which a returning series is transmitted (eg series one in Autumn 2006 and series two in Spring 2008, allowing a different series to be shown in Autumn 2007). Other considerations such as the length of programme runs are also taken into account. For example, the majority of dramas run for six to eight episodes thereby allowing space in the schedule for a variety of programmes.

- 4.15 However, it is not always possible to achieve balance in meeting objectives and this can have an impact on the ability to make the most of the creative opportunities that arise. There is particular concern around the requirement to meet Nations and Regions targets¹² and interviewees voiced concerns about the cost of taking celebrities to film in locations chosen solely in order to meet quota requirements and the resulting impact on Value for Money.
- 4.16 Nevertheless, it was also recognised that centres of excellence have emerged in the Nations and Regions, particularly Drama in Wales and Natural History in Bristol. There is not yet a long-term strategy in place for sustaining the critical mass needed to support these centres of excellence. As this strategy is developed, the BBC and the BBC Trust should consider ways of mitigating conflicts both by developing local capabilities and resource pools, such as key talent, and by ensuring that Nations and Regions targets complement other targets.

The commissioning framework

- 4.17 The three genres have the same basic structure with which they deliver their Value for Money targets, although the ways in which decisions are made and the management of the process differ from genre to genre.
- 4.18 The process followed is set out in detail in Appendix B. This information has been collated from the Independent commissioning process (as articulated on the BBC website) and from interviews as, although the commissioning process is broadly the same for both Independent and In-House commissioning, there is no single document that sets out separately the detail of the process followed for the commissioning of In-House productions.

¹² Productions in the regions of England (including Bristol, Birmingham and Manchester) and the Nations (Scotland, Wales and Northern Ireland)

Cross-genre learning

- 4.19 There are good reasons for doing things differently between genres. Each genre is different and timescales and other requirements vary. For instance, Drama needs to incorporate script reviews into its process and has a long lead time. However, the lack of a common basic process and vocabulary may be an inhibitor to cross-genre learning and performance comparisons between genres.
- 4.20 We believe that there are opportunities to build upon best practices and exploit new learning by sharing experiences across genres.
- 4.21 Given the increasingly competitive environment created by the introduction of the WoCC, it is particularly important that genres are able to share their experiences of embedding and exploiting the opportunities it has created.
- 4.22 Currently the genres are approaching commissioning In-House and Independent productions in different ways. For example, the Entertainment genre considers Independent and In-House productions together, maximising the potential for positive competition between supply bases. However, in Knowledge, dedicated In-House and Independent Commissioners consider ideas, which follow completely separate routes through the process with final approval of commissions by the Controller, Knowledge with the Channel Controller.
- 4.23 Although differences may be appropriate in certain circumstances, it is likely that there are also opportunities to share the benefits and downsides of different approaches between genres, identify the optimum approach and apply this learning where relevant.
- 4.24 To facilitate the sharing of this knowledge, and to enable each genre to embed it, the genres should aim to have a common basic approach to commissioning, a shared vocabulary with which to express this and a platform on which to do this.
- 4.25 Although staff and management have a common understanding of the concept of Value for Money, there is no single agreed way of articulating it. We found little evidence of the recognition of 'RQIV' terminology outside Board level. However, the concepts underpinning it were widely understood. When asked to define Value for Money responses included:
- "Getting the right amount of money on screen. Making good content as effectively and efficiently as possible within the financial resources available."
 - "Getting a Rolls Royce for the price of a mini."
 - "Getting maximum potential on-screen out of budget."
 - "Getting the same or more quality for the same amount or less."
 - "Making money work without compromising on quality."
 - "Getting a watercooler moment."
 - "Balancing ambition and budget." (See Figure 11.)



The One Show

Figure 11:

**Case Study -
Balancing ambition and budget - Lark Rise to Candleford -
Ben Stephenson**

"A different budget will give a different show. For example, Lark Rise to Candleford is not a typical period drama like Cranford - it's more like Eastenders at the turn of the century. It has a smaller budget than our usual period drama and is shot in a soapy way - no crane shots, grainy round the edges. What it delivers matches its financial ambition."

- 4.26 It is not surprising that RQIV is not recognised by those involved in the commissioning process at an operational level given that it is not an objective for individual programmes but a way of measuring overall Slate and genre performance.
- 4.27 However, agreeing a vocabulary around Value for Money and using it for reporting purposes should help teams to communicate their learning with each other and also assist the Board in evaluating and comparing the performance of the genres and identifying and sharing best practice.
- 4.28 There are already some opportunities for genres to discuss and share their experiences and best practice, such as the 'Wednesday' cross-genre meetings held by the Head of Operations and Business Affairs and attended by the Genre Commissioning Heads and a senior finance representative. The recently formed Commissioning Business Group, which will meet monthly, will enhance these opportunities.
- 4.29 We understand that there are plans underway to create further opportunities for cross-genre learning as part of Project Jewel.

Performance measurement

- 4.30 Data to inform performance measurement are collated on an ongoing basis and are linked to the objectives set out in the Statement of Programme Policy and thereby to the overall vision described in Delivering Creative Future. This means that data are available for a comprehensive view and analysis of a programme's performance against strategic objectives. A summary of the headline measures is set out in Figure 12.



Lark Rise to Candleford

Figure 12:

Headline measure	Description	Use	Source
Pan BBC reach	Claimed reach adults 15+.	Used to measure reach. ('The BBC should maintain the maximum reach consistent with its purpose and values'.)	PBTS
Millions	Average number of people watching a programme by minute. Provides a view of the absolute volume of viewers coming to a programme, which is particularly important given the nature of the BBC's funding.	Used to measure reach. ('The BBC should maintain the maximum reach consistent with its purpose and values'.)	BARB Panel
% Share	% Share of total viewers watching television. Used alongside Millions to provide like for like comparisons as the measure is unaffected by seasonal fluctuations.	Used to measure reach. ('The BBC should maintain the maximum reach consistent with its purpose and values'.)	BARB Panel
Average AI score	A measure of enjoyment. Provides an understanding of the audience relationship with the BBC and the perception of the licence fee. Where a programme has a low volume of viewers, a high AI score may indicate a niche appeal or wrong channel choice.	Used to measure quality. ('The BBC should seek to increase the distinctiveness and quality of its output'.)	Pulse Panel
'Maintains high standards of quality'	Average score and proportion of high approvers.	Used alongside the AI score to measure quality. ('The BBC should increase the distinctiveness and quality of its output'.)	PBTS
'Original and different'	Mean score.	Used alongside the AI score to measure quality. ('The BBC should increase the distinctiveness and quality of its output'.)	Pulse
'I trust the BBC'	Average score and proportion of those with high trust - at least 8 out of 10.	Used to measure quality. ('The BBC should restore trust in its output'.)	PBTS
Approval of the BBC	Proportion rating 8-10 (high approvers), 5-7 (middle approvers) and 1-4 (low approvers).	Used to measure quality. ('The BBC should maintain perceived value among high approvers' and 'The BBC should increase perceived value among middle and low approvers'.)	PBTS

Supporting measures include data from PBTS, BARB Panel and the Purpose remit Survey which provide information on: reach to hard-to-reach and other demographic audiences; reach to key services; the proportion of programmes scoring high AIs.; 'BBC has lots of fresh and new ideas'; perceptions among hard-to-reach and other target audiences; and 'Do you think the licence fee is good Value for Money?'

4.31 These data are used to measure performance at two levels; to make decisions about the future of individual programmes, and to take an overall view of the performance of the portfolio of programmes against strategic priorities.

4.32 In considering individual programmes, data are used to make a timely and informed decision about recommissioning a programme. This decision is usually taken after around four episodes and means that economies of scale can be achieved by commissioning multiple future series.

- 4.33 There is also a framework in place to measure performance at a portfolio level. On an ongoing basis, performance against the Channel and Genre plan is considered formally at the Genre Strategy meetings and the Vision Editorial Group. However, although progress against objectives is set out in the Annual Report, the rigour of the 'Slate Review' has not taken place for two years because of the focus on the On Air system implementation. This review provides the opportunity to look in detail at the extent to which Value for Money is being delivered by each of the genres and the drivers behind this. We understand that this exercise will be reinstated in autumn 2008 with improvements to ensure greater consistency in reporting from the genres.
- 4.34 Performance evaluation should also happen at a third level to look systematically at the reasons for the success or failure of an individual programme and apply the learning from this to future commissioning decisions. Although there are opportunities to do this within genres, it is recognised that mechanisms to do this across the genres could be enhanced.
- 4.35 Understanding the drivers behind decisions made in the process of commissioning a programme facilitates the evaluation of the reasons for its success or failure and identification of what works well in respect of, for instance, creative risk and innovation. This should enable decision making to become increasingly sophisticated.
- 4.36 Interview evidence suggests that such learning predominantly occurs on an individual basis rather than being systematically collected and shared within and across genres.
- 4.37 This evidence is supported by our document review, which found that the drivers for decisions behind the commissioning of a programme are generally undocumented. One exception to this was Cranford, where decisions made from the initial logging of the idea in July 2002 to the final commissioning in January 2007 and the reasons behind them have been recorded clearly.
- 4.38 Therefore, although individuals involved in commissioning will be able to learn from their own individual experiences and apply their experiences to their future commissioning decisions, mechanisms for exploiting the value of this learning more widely could be enhanced.

Aligning with the independent commissioning process

- 4.39 All parties (Channel Controllers, business affairs and In-House production) are in close communication with Genre Commissioners throughout the commissioning process.
- 4.40 Interviewees commented on the teaming approach to commissioning between those involved. This was corroborated by our review of programme documentation.
- 4.41 Although a creative tension is perceived to exist between Business Affairs teams and Genre Commissioners, the creative tension is seen as driving Value for Money rather than acting as a constraint. The creation of the Head of Production role has helped to cement the relationship between commissioning and In-House production teams. Although information is shared with both Independent and In-House Producers, the collaborative working relationship between the Commissioners and In-House teams facilitates the management of the production development slate and therefore helps to drive efficiencies.
- 4.42 The involvement of all parties also means that it is less likely that inappropriate decisions will be taken as issues can be identified and resolved at an early stage.
- 4.43 There is a case to be made for aligning the process with that used for Independent commissioning by introducing Editorial Specifications, which would introduce greater consistency, transparency and rigorous commercial practice.
- 4.44 The commissioning process culminates in an agreement between the commissioners and production teams in respect of the programme budget and required output. Although our document review found that in most cases major decisions are documented (deal memos/greenlight documentation), no formal document setting out both the commissioning specification and agreed budget (as required from Independents as part of the Programme Production Agreement) is currently completed as a matter of course (although this is being addressed through Project Jewel).
- 4.45 Without a documented agreement there is a risk of poor decision making and of programmes not matching expectations. For example, Heroes and Villains was commissioned without adequate available funding.

- 4.46 The risk of full funding not being available is currently managed by production through the 'amber light' approval process. Where full information and/or conditions to 'green light' a programme are not met, but there is a strong need and/or benefit to proceeding, a programme undergoes a review process within production to determine whether an initial spend should be authorised.
- 4.47 Within commissioning, documenting the budget and details of the output required should give transparency and visible accountability for service outcomes and a point of redress. It should be possible to learn from the Independent commissioning process and apply elements of its rigour, consistency and transparency, by introducing the formal Editorial Specification document to In-House commissioning.

Enhancing pricing decisions

- 4.48 We acknowledge that a return to micro-management of the production spend by Commissioners would be counter-productive. However, it is important that Commissioners have access to up-to-date market information to be able to arrive at the optimum price for achieving maximum efficiencies in In-House production without constraining creative scope and adversely impacting the quality of output.
- 4.49 We understand from interviews that in informing their budgetary decision Commissioners currently rely on their extensive experience of the market in commissioning similar programmes from In-House production, Nations and Regions and Independents, and on their strong relationship of trust with In-House production. They therefore have good information on pricing within their own market.
- 4.50 However, although pricing data is available from Ofcom, it is acknowledged that the quantity and quality of relevant information available in determining an optimum budget could be improved with further benchmarking information from competitors.
- 4.51 In arriving at the budget for an In-House production, Commissioners need to ensure that the frameworks in place for doing so evolve to take into account the value of the programmes in a multi-platform, multi-transmission environment.

Current initiatives

- 4.52 The BBC has already put in place various initiatives to develop Value for Money.
- 4.53 The newly introduced Commissioning Business Group will meet monthly and will act as a forum for sharing best practice across genres.
- 4.54 The launch of Project Jewel in November 2007 responds to the opportunities and challenges posed by new technologies, platforms and audience expectations, the BBC's ambitious efficiency plans and the increased competition arising from the evolving environment.
- 4.55 Specific initiatives include the introduction of further cross-genre learning through:
- Pan-genre efficiency challenge groups, aimed at challenging the plans, practices and learning from each genre. These meetings will include both Commissioning and In-House production teams and so offer the opportunity to gather more information in respect of pricing models.
 - 'Production in a New Age' workshops held quarterly to enable editorial production management, talent management, finance and HR to jointly tackle business issues and challenges in production.
 - A pan-genre Commissioning Business Group focused on commissioning-wide buying strategies, approaches and learnings.
- 4.56 The In-House commissioning processes should also be brought further into line with Independent production commissioning with the introduction of Editorial Specifications for In-House productions from 1 April 2008.
- 4.57 Project Jewel should develop the commissioning framework to reflect the shift towards multiple transmissions in a multiplatform environment when considering the value of content.
- 4.58 We understand from interviews that the Slate Review will be reinstated in the autumn of 2008. This will take account of the information now available from On Air. The consistency of reporting across genres is being considered and will enable the Vision Board to compare like with like across genres, thereby facilitating performance management and learning and the sharing of best practice.



Top Gear

Conclusions and recommendations

- 4.59 In many ways the BBC is already well along its journey towards Delivering Creative Future. Many of the areas of improvement identified during this review have already been recognised and new initiatives are being introduced to tackle them.
- 4.60 These initiatives include the launch of pan-genre learning groups, the introduction of Editorial Specifications and the introduction of mechanisms to enable a better understanding of the total value of In-House productions.
- 4.61 It is essential that in this challenging, complex and evolving environment, BBC Vision continues on this journey of improvement.
- 4.62 In order to do this, the BBC should ensure that all those involved in commissioning fully understand the BBC's strategic goals and are best placed to deliver them. Consideration should also be given as to how to sustain regional centres of excellence by developing local resources. The BBC Trust should consider how existing targets can be aligned in a simpler structure to ensure that the individual quotas and commitments are complementary and can be achieved whilst still delivering Value for Money.¹³
- 4.63 The new groups introduced by Project Jewel should consider systematically the reasons for the performance of individual programmes and exploit this learning more widely within and across genres.
- 4.64 Finally, the BBC should ensure that Commissioners have the best possible information to arrive at the optimum price when commissioning a programme, thereby putting the BBC in a strong position to continue to drive forward the Value for Money agenda.

¹³ A Network Supplier Review will take place in 2008?

Appendices

Appendix A

Approach

In carrying out this review we have:

- Identified the framework within which the BBC seeks to achieve Value for Money in the commissioning of In-House productions and sought to understand the extent and consistency with which this framework is followed across the genres;
- Identified the roles of the Channel Controllers, Genre Commissioners, business affairs teams and In-House production teams in commissioning In-House productions;
- Assessed the extent to which the BBC's strategic objectives in respect of Value for Money are understood and reflected in the In-House commissioning framework;
- Evaluated the extent to which the commissioning framework supports the delivery of Value for Money objectives; and
- Assessed the extent to which performance against Value for Money objectives is measured and whether performance information is understood and used effectively.

Timeframe of review

In carrying out our review our intention has been to focus on the commissioning frameworks currently in place at the BBC. The sample of programmes reviewed should therefore not only have been delivered (thereby enabling a view to be taken on their performance) but also have been commissioned under the existing framework.

This framework has evolved over the past five years, with a number of events taking place:

Figure 13:

July 2003	OFCOM established
December 2003	OFCOM takes up powers
January 2004	Publication of Code of Practice
June 2004	Publication of Building Public Value
July 2004	Publication of Terms of Trade
July 2005	Introduction of simplified commissioning structure
July 2006	Approval of BBC Royal Charter
November 2006	Launch of BBC Vision
January 2007	BBC Royal Charter in effect Establishment of BBC Trust Launch of WOCC
April 2007	Launch of e-commissioning and multi-platform structures

In order to establish the impact of these events on the commissioning framework we carried out interviews with the BBC Executive and Genre Commissioning teams. From these discussions we understand that although the current structure has been in place since April 2007 no fundamental changes have been made to the process since the CSR in the Autumn of 2005. Further, we understand that teams have been working towards the new structure since late 2005/early 2006 in order to be compliant with the WoCC when it came into effect in 2007.

We have confirmed that the programmes delivered in the financial year 2007/08 and commissioned since late 2005 have been commissioned under a process that is broadly representative of that in place today, and have therefore drawn our sample of programmes for the review from this time period.

Methodologies

In gathering evidence for this report we have used a combination of interviews, practical observations and documentary reviews.

We identified key individuals and confirmed with the BBC Executive that this group represents the range of responsibilities and interests in the commissioning lifecycle. The list of interviewees is attached at Appendix C. We planned each interview separately, focusing on the role and experience of the interviewee. The interviews were recorded and minuted. The interviews were loosely structured around a series of questions focusing on:

- Validation of the timeframe for the review and programme sample;
- The written rules and unwritten conventions of the In-House commissioning lifecycle;
- The interviewee's understanding of the BBC's Value for Money objectives and how they see these reflected in the In-House commissioning process;
- The performance measurement and feedback process in respect of Value for Money objectives;
- Best practice, success stories and areas for improvement.

We also obtained information about performance measurement via e-mail correspondence.

In order to gather practical evidence of the commissioning lifecycle, we attended a Business Routine Meeting and the filming of a programme (Friday Night with Jonathan Ross).

We corroborated the views of those interviewed and our observations of the meetings and programmes with a review of the documents supporting the commissioning of a sample of programmes delivered in the financial year 2007/08 and commissioned under the current commissioning framework.

Our sample of programmes reflects:

- The three genres within scope (Knowledge, Fiction and Entertainment)
- The four channels within scope (BBC1, BBC2, BBC3, BBC4)
- London and the Nations and Regions
- A range of cost-per-hour bands

In order to select programmes for our sample we devised a stratified sampling technique based on these four dimensions to ensure that:

- All the features that have an impact on the programme's contribution to Value for Money are taken into account;
- The right proportion of programmes of different types are included to avoid any composition bias;
- Programmes in each group are selected in an objective way (i.e. randomly) so as to avoid any selection bias.

This sampling technique is based on seven steps:

- Identification of the features of a programme that shape the commissioning process (Channel, Genre, production location and Cost per Hour);
- Identification of Cost Per Hour bands by means of a cluster analysis of all programmes delivered in the financial year 2007/08 (£0-250k, £250k-450k, £450k-625k, £625k-850k, £850k-1m);
- Stratification of the overall population into the 96 classes thus identified;
- Identification of populated classes (16 classes containing more than 1% of the overall population each);
- Random identification of two programmes in each class;
- Addition to the sample of two programmes with a Cost per Hour higher than £1million, due to their high budgetary impact;
- Addition to the sample of two 'low budget' dramas (Cost per Hour under £450k) to balance the skew towards high-cost dramas.

This sample is therefore representative of BBC Vision's programme commissioning activity in these genres, on the assumption that all programmes in the same category are treated in the same way and that all features of a programme that affect the decision making framework have been identified.

The programmes included in our sample are set out at Appendix D.

The documents for these programmes were reviewed in order to get an overview of the steps taken in the commissioning framework in each genre and the process for making decisions. In carrying out this exercise, we established that many parts of the decision making process are carried out informally via e-mail or telephone communications. In order to ensure that we were able to obtain as full a picture as possible of the commissioning process - including not only formal documents but also (in so far as documentary evidence of them exists) the informal communications behind these - we identified six programmes from our sample for a 'Deep Dive' exercise.

The 'Deep Dive' comprised a detailed examination of the journey through the commissioning process for the following six programmes, two from each of the in-scope genres:

Figure 14:

Knowledge
Heroes and Villains (Warriors)
Nature of Britain switchover
Fiction
Silent Witness
Cranford
Entertainment
OMID
Strictly: It Takes Two

The information obtained from the interviews, observations and document reviews was collated by the Ernst & Young team and analysed. The findings and conclusions drawn were discussed with the BBC to ensure factual accuracy before being presented to the BBC Trust.

Appendix B

Steps in the commissioning framework

Introduction

This Appendix sets out the approaches taken by the individual genres to the steps in the commissioning process illustrated in Figure 7.

Step One: Strategy setting, planning and identification of development priorities

Purpose

This phase develops the objectives set for the genres at a corporate level (the Buying Model) into the 'Slate'. This is a detailed representation of how objectives will be met on a slot-by-slot basis. Each genre's Slate sets out the programmes already commissioned in previous rounds and 'TBA' slots, with a description of the characteristics that a programme in that slot should exhibit in order to achieve targets.

Process

In order to develop and revise the Slate, strategies and priorities for the genre are discussed in formal meetings depicted in Figure 16.

Figure 16:

Meeting	Channel/Genre Strategy meeting held by individual genres
Frequency	Three times a year
Attendees	<ul style="list-style-type: none"> ■ Channel Controller ■ Genre Commissioners ■ Genre Business Teams Representatives ■ Channel Scheduling and Planning Team Representatives ■ Marketing Representatives ■ Audience Research Representatives

Figure 17:

Genre	Knowledge	Fiction	Entertainment
Meeting	Commissioning Briefings	Editorial Board Meetings	Briefing Sessions
Frequency	Three cycles a year plus ad hoc meetings as appropriate	Size of supply base means briefings are conducted on a one-to-one basis throughout the year	Two cycles a year
Attendees	One meeting in London for In-House and Independent producers followed by a series of regional briefings	Run separately for In-House and Independent producers. In-House Heads of Drama production attend the former meeting	Run jointly for In-House and Independent producers in London followed by a series of joint regional briefings

The standing agenda includes:

- Performance review and delivery against Channel and Genre plan
- Update on ideas in development/production and communication of Channel Controller views solicited by Genre Commissioners at appropriate stages before and after commission
- Talent management and succession planning (with and through production heads)
- Additionally, the production teams will be invited to discuss projects, pre- or post- commissioning, as required by the Channel Controller.

Step Two: Communication of development priorities to producers and ideas solicitation

Purpose

The purpose of this stage is to solicit relevant programme ideas by ensuring that the development priorities and available slots are communicated to production.

Process

The approach taken at this stage varies from genre to genre, as set out in Figure 17.

Step Three: Idea selection and development

Purpose

Ideas generated by In-House production teams are co-developed with the genre commissioning teams.

Process

The structure and length of this stage differs from genre to genre and within genres, depending upon the individual features of the programme under development. However, all genres use some form of regular development meetings.

The process followed by Drama (a sub-genre of Fiction) is the most structured across the genres. Drama ideas are initially presented by the In-House production teams at an In-House Routine Meeting. If approved an idea is then taken to 'seedcorn' development, where a detailed 'treatment' or 'bible' is developed to outline the idea in further detail and set out the main editorial content. This is then submitted for approval by the Genre Commissioner before moving onto a secondary development stage during which scripts are added. The Genre Commissioner reviews the scripts and, if approved, then adds the programme to a list of 'frontrunners' which includes all ideas identified as commissioning priorities.

The Entertainment genre holds fortnightly Development Meetings, which are attended by the Genre Commissioner, Commissions Manager, Controller of Genre Production, the relevant Head of Production and Editorial Executive. Ideas presented by production may be accepted, rejected or sent back for further development before re-presentation at a subsequent meeting.

In Knowledge, Development meetings are run on a fortnightly to monthly basis depending on the volume of ideas in development. These meetings are attended by the relevant In-House Commissioner and the Development Coordinator and by the In-House Development teams or producers.

Step Four: Commissioning decision

Purpose

The commissioning process culminates in a final decision being made to commission a programme. At this point the editorial output and price of the programme are finalised.

Process

Once again, the steps taken to reach this decision differ from genre to genre. A 'single tick' system has replaced the 'double tick' commission previously in place where both Genre and Channel approvals were required to commission a programme. In principle the Genre Commissioner is now the single point of commission in the process. However, as set out at Figure 18, this 'single tick' process is interpreted in different ways. Although the Genre Commissioner is in regular liaison with the Channel Controllers prior to making the decision in all the genres, the extent of influence retained by the Channels differs from genre to genre.

The output from this step is an agreed editorial output and budget. Although this can be recorded in a 'Editorial Specification' this is not yet done as a matter of course.

It is the responsibility of the In-House production team to manage the budget and spend it as they see fit to deliver the agreed output.

Figure 18:

Genre	Knowledge	Fiction	Entertainment
Meeting(s), frequency and attendees	<p>Channel Editorial Meeting</p> <p>Genre Controller, Commissioning Editor, Slate Manager, Commissions Coordinator, Channel Controller, Channel Planner and Channel Scheduler.</p> <p>Routine Meeting</p> <p>Genre Controller, Slate Manager, Senior Investment and Business Manager, Channel Controller, Channel Planner, Channel Scheduler</p> <p>Knowledge Commissioning Meeting</p> <p>Genre Controller, Head of Independent Commissioning, Head of In-House Commissioning, Commissioning Editors, Head of Operations and Business Affairs, Senior Investment and Business Manager</p> <p>Fortnightly</p>	<p>Channel Routine Meeting</p> <p>Fiction Commissioner, Drama Commissioner, Commissions Manager, Channel Controller, Channel Planner, Channel Scheduler</p> <p>BBC 1 - Weekly, BBC 2 - Fortnightly, BBC 3 - Fortnightly, BBC 4 - Monthly</p>	<p>Channel Routine Meeting</p> <p>Genre Commissioner, Genre Head of Operations and Business Affairs, Genre Senior Investment and Business Manager, Commissions Manager, Editorial Executives, Channel Controller, Channel Planner, Channel Scheduler</p> <p>BBC 1 - Weekly, BBC 2 - Fortnightly, BBC 3 - Fortnightly, BBC 4 - Every four to six weeks</p>
Process	<p>A programme is approved before the slot and price are agreed upon.</p> <p>The Slate Manager and Genre Commissioner then agree the price with production and the Channel Scheduler allocates a suitable slot.</p> <p>The final specifications are approved at a Routine Meeting before being submitted to the Knowledge Commissioning Group Meeting.</p> <p>The Knowledge Commissioning Group takes a portfolio view of all approved commissions to ensure that there are no overlaps between programmes and no gaps in the portfolio of commissions against strategic priorities. A final commissioning decision is then made.</p>	<p>The frontrunners list maintained by the Drama Commissioner is reviewed and programmes to be commissioned agreed upon.</p>	<p>Generally programmes to be commissioned are agreed upon before the formal meeting, with the Channel Commissioner using any right of veto early in the development process. Programmes can also be provisionally commissioned, subject to a satisfactory agreement on price or other features to be delivered. In such cases, the Senior Investment and Business Manager takes responsibility for meeting a price requirements and the Commissioners Manager for the delivery of other features.</p> <p>Programmes are either rejected, commissioned or deferred to a Super Strategy Meeting.</p>
	<p>Decisions taken jointly by the Genre Commissioner and Channel Controller.</p>	<p>Decisions taken jointly by Genre Commissioner and Channel Controller.</p>	<p>Decisions made by the Genre Commissioner, with the Channel Controller having a right of veto.</p>

Step Five: Performance assessment

Purpose

In order to decide on returning series and the strategy for the next period, the genre commissioning teams undertake a formal assessment of past performance. Entertainment also uses this stage to commission any ideas remaining after the Channel Routine Meeting.

Process

This process is undertaken as part of the Strategy Setting meetings described in figure 16. In addition to the genre review, the Channels have a RQIV dashboard, which is updated on a weekly basis.

The main metrics used to measure performance are 'Millions', % Share and Appreciation Index Score ("AI"), although other indicators are also used as set out below.

The data is collected from two sources - BARB Panel, which is a source of viewing figures for all broadcasters, and Pulse Panel. Pulse Panel is the BBC's own online panel of 15,000 adults and 1,500 children. Panelists respond twice a week on average (ten times per month) scoring and feeding back on BBC and competitor programmes. The BBC receives results from approximately 5,000 panellists 36 hours after transmission. AI scores are produced from panellists scoring a programme from 1 to 10 in answer to 'Could you please rate each of these programmes with a mark out of 10 where 10 is the highest score'. This is then converted into a score out of 100. Although norms vary from genre to genre, most AI scores sit between 70 and 90, with anything below 70 being quite low and anything above 85 considered to be extremely good.

All measures are benchmarked against various norms. These vary by channel and timeslot. Each channel has different remits and expectations in terms of the size and type of audience to which it is expected to deliver. These are set out in figure 10.

The performance of a programme against the targets will vary from slot to slot, depending upon the slot, the genre and the competition, and these factors are taken into account in the assessment. For instance, when assessing a new Drama at 9pm on BBC1 the % Share obtained would be compared to the average % Share obtained in that slot for the preceding 12 months. The programme would be expected to meet or exceed the slot average. The context in which the programme is competing is also taken into account, the competition being either a programme showing on a different channel at the same time, or a similar programme elsewhere in the schedule. In addition to these measures, the programme's AI is compared to the genre average. Its profile and share by demographic are examined to determine whether it is appealing to the target audience.

The performance measurement is complex and there are subtleties within the process. For example, new comedies and entertainment shows often start with low 'AIs' as it takes some time to achieve audience engagement. In order to gauge the potential for a second series of a programme, a review of the growth of the AI over the series would be carried out and this would be considered in the context of the audience share (if an AI were to grow at the same time as audience share fell it is likely that the audience is shrinking to core fans rather than a genuine growth in appreciation).

The channel expectations are stated in the performance measurement framework.

The BBC carries out strategic benchmarking against competitor programmes on a genre by genre basis, as opposed to by individual programmes. For example, comparisons are made between the ability of BBC1 Entertainment to attract younger audiences and that of ITV Entertainment, between BBC1 Drama AIs and ITV Drama AIs and between BBC2's success in reaching 25-44 year olds with Factual programming and that of Channel 4.

In the emerging multiplatform environment, the BBC is starting to measure content across platforms. Therefore, for example, Dr Who's performance on the BBC Website, the number of people watching on iPlayer and the number watching clips on mobile phones are all measured in addition to the television transmission performance. A survey is being developed to help the BBC to understand to what extent other platforms are adding value and extending the reach of Television content. For example, it will be possible to establish the numbers of people who watched Dr Who on the iPlayer but did not watch it on television.

Risk management

Purpose

Risk affects commissioning at both a portfolio and individual programme level. At a portfolio level genre teams can miss targets set in their buying model in respect of the budget, average cost per hour and other strategic targets, while at the individual programme level programmes may not be delivered on time, to budget or to the editorial specification expected. Individual programmes are also at risk from external events or changes in strategic priorities, which make them less suitable or unsuitable for transmission.

Process

At portfolio level the main means of risk management is the Slate. This is a 'living model' of all commissions in a genre and is used both strategically and operationally to ensure that each commission fits within overall genre targets. Portfolio level risk is also managed at a genre level in Knowledge where it is considered in the Knowledge Commissioning Meetings.

At an individual programme level the risk of a programme not delivering to the agreed standards is reduced by the involvement of production in the commissioning process from the very beginning so that any inconsistency between Commissioners' expectations and production deliverables can be spotted at an early stage. The production teams are responsible for the management of risk factors related to budget, quality of output and delivery.

Pipeline management is used to manage external and strategic-level risks. Each genre manages this differently. Drama, with its long lead time, uses the 'frontrunner list' which is a pipeline of programmes ready for production that is greater than the available slots. In Entertainment where the commissioning of a programme is faster, risk management is performed by maintaining a wide supply base that can be activated quickly should the need to commission a programme suddenly arise.

Appendix C

Interviewees

- Elaine Bedell
Controller, Entertainment Commissioning
- Helen Blenkinsop
Managing Editor, Commissioning
- Nancy Braid
Head of Production, BBC Scotland
- Parinder Cardoso
Finance Partner Commissioning
- Sally Debonnaire
Controller, Production Operations
- Claire Evans
Head of Operations and Business Affairs Commissioning
and Head of Operations and Business Affairs,
Fiction Commissioning
- Louise Farley
Commissions Coordinator, Knowledge
- Beth Hamer
Commissions Manager, Entertainment
- Rebecca Hoskin
Commissioning Manager
- Roly Keating
Controller BBC Two and Acting Controller BBC One
- Roger Leatham
Head of Operations and Business Affairs,
Entertainment Commissioning
- Alexandra Lines
Senior Investment and Business Manager, Knowledge
- Paul Luke
Senior Investment and Business Manager, Entertainment
- Davis McComb
Business Executive
- Clair McCoy
Senior Commissions Manager, Fiction
- Derek O'Gara
Finance Director, BBC Vision
- Zarin Patel
Group Finance Director
- Bal Samra
Director, BBC Vision Operations and Rights
- Janet Shaw
Senior Investment and Business Manager, Fiction
- Ben Stephenson
Head of Drama Commissioning
- Anne Sullivan
Head of Operations and Business Affairs, Knowledge
Commissioning

Appendix D

Programme Sample

Drama

- Eastenders
- Sense and Sensibility
- Shadow in the North
- Silent Witness K
- Holby City J
- Cranford

Entertainment

- Celebrity Mastermind E
- Strictly: It Takes Two
- Top Gear Comps
- Children in Need 2007
- OMID
- Extras Special
- Joseph (Any Dream Will Do)
- Late Edition
- Dr Who Confidential C
- National Lottery Day
- Eurovision Semi-Finals
- Stephen Fry Night Links

Factual

- Angels of the North*
- Rogue Traders Special
- Heroes and Villains
- Honour Killings
- Singer of the World Preview*
- Natural World Ganges
- Nature of Britain S/O
- Gardeners World Specials 07
- British Museum*
- Christine's Garden
- Last Man Standing
- Books: Saki*
- Outdoor Britain: Water
- The One Show - NHU*
- The One Show - Wales Consumer*
- Sky at Night Nights - Meteor
- Poliakoff: Real Summer Drama
- Darcey Bussell: Essential

* Supplied by Nations

Additional sources of information

1. Annual Report and Accounts 2006/07
2. Trust Work Plan 2008/09
3. Public Purpose Remits
4. Royal Charter
5. Agreement between Her Majesty's Secretary of State for Culture, Media and Sport and the BBC
6. NAO website, including definition of Value for Money (www.nao.org.uk/about/role.htm#Value)
7. BBC Trust Website
8. BBC Website
9. Building Public Value
10. BARB Website
11. YouTube - Omaha Beach
12. BBC Protocols
13. Television Statement of Operation
14. Terms of Trade
15. Code of Practice

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