

BBC implementation plan: Review of the BBC's Management of strategic contracts with the private sector

The BBC Trust commissioned the National Audit Office (NAO) to undertake a review of the BBC's Management of strategic contracts with the private sector. Following the publication of the NAO report in March 2009, the BBC Executive has now agreed an action plan to implement the NAO recommendations.

NAO Recommendation	Action planned	Owner	Proposed Completion Date
<p>1. The BBC has secured just over 90 per cent of its performance objectives, but has not achieved the performance and innovation it requires for the price it is willing to pay in some contracts.</p> <ul style="list-style-type: none"> Identify the source of any shortfalls in performance, for example whether they flow from the contract, processes or relationships between individuals. Draw up an action plan for improving performance, including measurable targets for service improvement or innovation sought. Apply lessons learned from its management of its contracts to its procurement of future strategic contracts. 	<p>Quarterly reporting of KPI performance to Procurement and a detailed annual review process at Finance Committee to identify issues. Action plans and targets for addressing performance to be incorporated into the Finance Committee reports and monitored.</p> <p>Innovation sought and lessons learned from the management of the contracts will be captured by Procurement through the annual review process.</p>	Procurement & local contract owners	To be completed for each contract as it reports to Finance Committee in 2009
<p>2. Although the BBC has examples of good practice in contract management, it has yet to apply this consistently across the portfolio of strategic contracts and needs to do more work to match its resources to areas of greatest need and opportunity.</p> <ul style="list-style-type: none"> Define the core competencies that its strategic contract managers need and review the capabilities of existing contract management teams based on these competencies. Develop a structured approach to continuing professional development for contract managers which is supported by compulsory training. Assess the specific relationship requirements for each of its strategic contracts, and set out how the relationship will be developed and its 	<p>Final competency framework to be approved by Strategic Relationships Board. Individual senior contract managers to assess capabilities of their teams in line with the new framework.</p> <p>Procurement to work with BBC training to develop core training programme to support competency framework.</p> <p>Procurement to gather cost and people data of contract management teams to inform benchmarking comparison of</p>	<p>Procurement & local contract owners</p> <p>Procurement & BBC Training & Development</p> <p>Procurement</p>	<p>Framework in place by May 09. Roll out by end of 2009</p> <p>Roll out by end of 2009</p> <p>April 2009</p>

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<p>effectiveness measured.</p> <ul style="list-style-type: none"> Set out clear lines of accountability to the BBC Finance Committee for managers' compliance with BBC standards in contract management. 	<p>contract management resource both intra-BBC and externally. To be delivered through the revised annual review process for 2009 to a standard template incorporating the recommendations of the NAO review and the lessons learnt from the first cycle of reviews.</p>	<p>Procurement & Finance Committee</p>	<p>To be completed for each contract as it reports to Finance Committee in 2009</p>
<p>3. The number of contracts that the BBC has for key services means that the BBC may not have visibility of risks that arise between its strategic suppliers, but the BBC has no systematic process for identifying these risks.</p> <ul style="list-style-type: none"> Map out the inter-dependencies and cross-cutting risks between its strategic suppliers. Report annually to its Finance Committee on these strategic and cross-cutting risks to provide clarity on the completeness of the risks it faces and the responsibility for, and progress in, managing those risks. 	<p>Procurement to prepare a consolidated risk register of cross-contract risks to be signed off by the Strategic Relationships Board on a quarterly basis.</p> <p>To form part of the portfolio annual update to Finance Committee by Procurement.</p>	<p>Procurement</p>	<p>April 2009 & quarterly thereafter</p> <p>May 2009</p>
<p>4. Open-book access rights to suppliers' financial records, which are secured at a financial cost in contract negotiations, will only enhance contract management if they are effectively applied. For all but one of the contracts we examined the BBC has open-book audit rights but has not exercised them.</p> <ul style="list-style-type: none"> For those contracts where there are open-book provisions, the BBC should exercise its rights to open-book audit to protect its interests and embed transparency and accountability in working practices. 	<p>Procurement to develop a policy across the portfolio that incorporates the costs and benefits of independent audits depending upon the size and complexity of the contracts.</p>	<p>Procurement & local contract owners</p>	<p>June 2009</p>
<p>5. Although individual contracts have risk registers, as the BBC does not maintain a joint risk register with the suppliers for each contract there is a lack of clarity about the responsibility for management of shared risks.</p> <ul style="list-style-type: none"> To provide clarity of responsibility in the management of joint risks, the BBC and its suppliers should, in line with good practice and the BBC's own guidance, maintain joint risk registers with suppliers for each contract 	<p>Contract owners to develop and share joint risk registers.</p>	<p>Local contract owners</p>	<p>April 2009 To be validated for each contract as it reports to Finance Committee in 2009</p>

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<p>6. Although the BBC identifies key deliverables on a contract by contract basis it does not have business-wide criteria by which it identifies the relative importance of deliverables to its business.</p> <ul style="list-style-type: none"> The BBC should review existing performance indicators for relative importance to the business, and establish criteria for identifying the most important performance indicators, while taking account of the objectives of each contract. 	<p>Procurement to develop guidelines on how performance indicators should be set and reviewed in accordance with the BBC's priorities. This will be utilised by local contract owners at suitable contract review points and for new procurements.</p>	<p>Procurement & local contract owners</p>	<p>June 2009</p>
<p>7. BBC management does not routinely validate performance information provided by suppliers, even where reported information has a bearing on payments to the supplier</p> <ul style="list-style-type: none"> To gain assurance about the accuracy of performance information provided by suppliers BBC management should validate the accuracy of performance information provided by suppliers, particularly where payments are affected by performance. The cost of validating performance must be proportionate to the benefits and the BBC may wish to review a sample of information for each supplier. 	<p>Each manager responsible for a strategic contract to formalise a validation plan and methodology tailored to the priorities of their contract. This plan and the results of the validation processes will be reported as part of the annual reporting to Finance Committee.</p>	<p>Local contract owners</p>	<p>To be completed for each contract as it reports to Finance Committee in 2009</p>
<p>8. The BBC Trust approves strategic contracts in part on the basis of forecast savings. It does not follow up whether forecast savings for individual strategic contracts have been delivered.</p> <ul style="list-style-type: none"> The Trust should satisfy itself that the savings proposed as part of business cases are achieved and if not, explore why not. 	<p>An annual report on key contract performance will be prepared for FCC each year prior to the budget approval</p>	<p>Procurement</p>	<p>February 2010</p>