

BBC Executive Implementation plan following the Trust's Value for Money study on the management of sports rights

The Trust asked an independent consultancy, MTM London, in 2010 to carry out a Value for Money study examining the BBC's processes for the management of sports rights. The Trust published the report on 1 March 2011, which included a number of recommendations made by MTM London as to how the BBC could improve Value for Money.

After every VfM study in which recommendations are made, the Trust requires the Executive to produce an implementation plan setting out how they will put the recommendations into practice. The table below was presented to the Trust by the Executive, and was approved by the Trust's Finance & Compliance Committee. It shows the actions the BBC Executive are taking / will be taking in response to MTM London's recommendations.

	VfM recommendation	Action planned / taken	Target date	Action owner
a	<p>At present the divisional objectives and targets set for BBC Sport are used by the Sports Rights Team as a guide to which rights to acquire. This is, broadly speaking, appropriate, as sports rights are the single most important contributor to delivering against overall sports targets. However, there are also some shortcomings to this approach: for example, the BBC Sport targets focus on the next 12 months of output, whereas many sports rights do not reach broadcast until two-three years after acquisition. In addition, the BBC Sport targets do not include financial objectives and targets (over and above the budget) that relate explicitly to sports rights acquisition.</p> <p>Going forward, the Sports Rights Team should therefore develop an additional set of objectives and targets as part of its strategic plan, building on the overall BBC Sport objectives but adding extra detail around areas such as financial value for money targets where appropriate.</p>	<p>In addition to the existing performance measurement and reporting processes, the next iteration of the Sports Rights strategic plan will include objectives which are specific to rights acquisitions, together with annual targets over the following three years. The strategic plan is still being prepared and will be signed off by the Sports Rights Group later in 2011, in parallel with the ongoing Delivering Quality First review. Whilst the objectives and targets included within the strategic plans will also be subject to approval by the Sports Rights Group, we anticipate that they will include measures such as:</p> <ul style="list-style-type: none"> • Aggregate expenditure on sports rights in each year. • Average sports rights spend (over the preceding four years) as a percentage of the Licence Fee. • Individual rights deals to secure in each year, with target price. <p>Actual performance against the objectives/targets set in the Sports</p>	By end of 2011	BBC Sport

		Rights strategic plan will then be reported on annually to the Sports Rights Group (and future objectives/targets revised where necessary to reflect any agreed changes in strategy).		
b	<p>The BBC should consider creating a ‘dashboard’ that consolidates data about the performance of major sports rights against targets and ensure that this is updated and reviewed regularly, and at the very least on an annual basis. This will allow for easier monitoring of the performance of individual rights throughout their lifecycle and enable the team to adjust their plan accordingly.</p> <p>In addition, the BBC should ensure that Investment Cases for renewals should contain an equivalent level of analysis as would be included in a standalone Post Implementation Review (PIR). This will help to ensure that the full range of relevant performance data is presented to the managers responsible for deciding whether to renew (and at what level).</p>	<p>In common with all other genres, BBC Sport presents an annual Slate Review to the BBC’s Finance Committee summarising the overall delivery of value for money by BBC Sport and delivery against key quotas and targets. This process has been in place since 2008/09. BBC Sport is continually looking at ways to enhance the value of the Slate Review, and for the 2010/11 review we will include a new section showing the actual performance of key sports rights properties for the most recent year/season, against the targets included in the original investment cases. For 2010/11 this will include Premier League highlights, Wimbledon, the Six Nations, and Formula One.</p> <p>With regard to the incorporation of post-event performance reporting within Investment Cases, all Investment Cases now include a designated section focusing on the performance of the current rights deal. This section covers the same points as appear in a standard Post Implementation Review, including analysis and commentary on actual performance against targets contained in the original investment case (e.g. reach, cost per hour etc.). It captures any lessons learned under the current deal, together with an action plan (with allocated responsibilities) for what will be done differently if the rights are re-secured. It also includes more detailed audience data where available and where relevant to the investment</p>	By end of 2011	BBC Sport

		<p>proposal, such as year-on-year trends in audience reach. BBC Sport believes that it is more beneficial to capture such information at the point where renewal of the rights is being considered, rather than after the term of the current rights deal has expired, in order that it can inform the new investment decision.</p> <p>This approach has been implemented for all Investment Cases submitted to the BBC's Finance Committee since summer 2010.</p>		
c	<p>Whilst there is clear evidence that senior management routinely consider and discount other options when deciding whether to acquire a right, Investment Cases tend to document only the preferred option for consideration.</p> <p>Going forwards, Investment Cases should as a matter of course either state that there is no clear substitute for a proposed acquisition or briefly set out any key alternative rights that have been considered and the rationale for discounting them.</p>	<p>All Investment Cases now include a dedicated 'options analysis' section in which all identified options are evaluated, with reference to total acquisition cost, cost per viewer hour and impact on audience targets. These options normally include alternatives such as whether the BBC should seek to acquire live or highlights rights, and/or exclusive or non-exclusive rights. It should be noted, however, that where the available rights are defined by the rights holder, such as in an open tender process, the BBC's options will be constrained by what package(s) of rights are available.</p> <p>In addition, the section considers whether the BBC could achieve similar outcomes at better value for money through acquisition of rights to other sports events. It is important to note that the range of potential options is frequently limited by what other rights are expected to become available within a comparable timeframe.</p> <p>This approach has been implemented for all Investment Cases submitted to the BBC's Finance Committee since summer</p>	Completed	BBC Sport

		<p>2010.</p> <p>Following the next formal iteration of the Sports Rights strategic plan in 2011, future Investment Cases will also cross-refer explicitly to the plan where relevant to the specific case.</p>		
d	<p>BBC Sport is responsible for ensuring that any rights acquired are fully accounted for in service licence budgets and can be fully exploited. There are a range of processes in place to support this but no documented control in the rights acquisition process.</p> <p>Going forwards, we recommend that Investment Case templates include a section requiring the author to confirm that they have liaised with other departments to confirm that rights costs are (or will be) accounted for in the appropriate service licence budgets and that the BBC is likely to be able to fulfil its scheduling requirements.</p>	<p>All Investment Cases now include a section requiring the author to state they have liaised with other departments to confirm that rights costs are (or will be) accounted for in the appropriate service licence budgets, and that the BBC is likely to be able to fulfil its scheduling requirements.</p> <p>This has been implemented for all Investment Cases submitted to the BBC's Finance Committee since summer 2010.</p>	Completed	BBC Sport
e	<p>Since the new fair trading processes were introduced in April 2010 the BBC has only been required to produce CIAs for relatively low risk sports rights acquisitions. The CIAs produced in these cases contained an appropriate level of analysis. Going forwards we would expect to see CIAs in higher risk acquisitions contain additional analysis in the following key areas:</p> <ul style="list-style-type: none"> • Baseline data on the affected markets, including share of key competitors and key competitor dynamics, where data is available • Importance of rights in terms of output 	<p>The procedures in place that govern the referral of proposed sports rights acquisitions to the Fair Trading department have been updated to incorporate MTM's recommendations on exclusive radio bids. Detailed work is underway to create a more comprehensive and precise picture of the BBC's position across the various sports rights sectors in which it operates. This will also take into account the position of its competitors and provide a valuable insight into the importance of a particular sports right within the market context. The analysis will be updated to reflect any significant changes in market structure and/or the placement of rights contracts. Competitive impact assessments</p>	Completed	BBC Sport

	<p>hours/revenue vis-a-vis the whole market</p> <ul style="list-style-type: none"> The BBC's likely impact on competitors and future levels of competition in the market. <p>In addition we recommend that a CIA is produced for all exclusive radio bids of a value in excess of £0.5m.</p>	<p>of significant future rights acquisitions will be able to draw on this resource and - for 'high-risk' transactions - will include greater consideration of the BBC's likely impact on competitors and future levels of competition in the market. The BBC's Fair Trading department and BBC Sport will review these arrangements on a periodic basis to ensure they remain robust and fit for purpose.</p>		
f	<p>Investment Cases currently lack consistency in their approach to comparing a proposed acquisition with other sports rights. Going forwards, we recommend that the BBC should agree a core set of audience and value for money KPIs that are typically used in comparable cases. This will enable stakeholders to develop a clearer view of the value of a right in comparison to similar rights in the portfolio.</p>	<p>All Investment Cases now include a section benchmarking the forecast cost per viewer hour of the proposed rights acquisition, and various other relevant audience metrics, against other comparable rights held by the BBC (Section 5). Comparable rights are those which fall under the same broad strategic pillar (see Exhibit 7 of the MTM Report) as the rights being acquired.</p> <p>This has been implemented for all Investment Cases submitted to the BBC's Finance Committee since summer 2010.</p>	Completed	BBC Sport
g	<p>Going forwards, we recommend that the Sports Rights Team more clearly documents the approach taken to assessing value to competitors (and in cases which rely primarily on market intelligence, provide an indication of its reliability). This should be included in Investment Cases so that the process is more open to peer review.</p> <p>Where market intelligence is limited and no independent benchmarking is commissioned, we recommend that the Sports Rights Team formalise their approach to competitor valuations (for example through documented financial analysis including, where appropriate, the development of 'light-touch'</p>	<p>BBC Sport will continue to employ a range of methods to form an opinion on likely market valuations for sports rights. The actual methods used will vary from case-to-case, taking in to account considerations such as materiality and robustness of market intelligence. We will continue to undertake financial modelling of competitor valuations (either internally, or commissioned externally) where the rights are material and market intelligence is limited. The approach taken will be formalised and more clearly documented in future Investment Cases.</p>	Completed	BBC Sport

models for commercial free to air television and radio broadcasters).			
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