

PROGRAMME OF CHANGE AT THE BBC

From the stellar costs of on-screen talent to the price of digital transition and how much it spends on landmark buildings, the BBC's finances are constantly in the public eye. With the licence fee frozen until 2016, it's perhaps surprising to find Anne Bulford, the managing director of finance and operations, so bullish

THE ECONOMY MAY be on the mend but the mantra of doing more with less still prevails – particularly when you're a public service under constant scrutiny from the 96% of the UK population who use your services. For Anne Bulford, the BBC's managing director of finance and operations, who took on the role in June 2013, operational and financial rigour is at the core of her remit.

Moving from a Chief Operating Officer role at Channel 4 that included a period as interim chief executive, Bulford was just eight months into her £395,000-a-year job at the BBC when director-general Tony Hall charged her with carrying out a comprehensive efficiency review. The results were published in November and the ensuing 49-page report outlines the challenges that lie ahead.

The objective is to find more than £1.5bn in cumulative savings by the end of the current charter period, which ends on December 31 2016, while at the same time swallowing about £500m a year of new obligations placed on the corporation. These include broadband rollout, responsibility for the World Service (which until April 2014 fell under the responsibility of the Foreign Office), and funding local TV and Welsh language public service broadcaster S4C.

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These challenges are set against a backdrop of flat licence fee income (held at £145.50 until 2016, representing a 26% cut in real-terms funding), not to mention inflation and finding the investment needed to stay relevant to audiences in the digital world. 'There is a very big focus on making savings without impacting the way in which our audience experience our content and services. It's a very tough challenge,' Bulford says.

The numbers are not for the faint-hearted but Bulford remains bullish, partly because the BBC is on track to hit its numbers. Since the start of the current charter in 2007, Bulford's report says it has delivered annual

savings of £1.1bn out of £3.2bn in controllable costs.

Efficiency is a well-worn catchphrase at the BBC. Indeed since the mid-1990s, five such efficiency programmes have been rolled out, each seemingly named to shift the focus away from the underlying cost-cutting objectives. From 'Producer Choice' in the 1990s to 'Continuous Improvement' and the latest euphemism, 'Delivering Quality First', which pledges savings of £700m a year by 2017.

Bulford's three-pronged strategy has earmarked property rationalisation, procurement savings and reducing the cost of people as primary tasks. She claims the great

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majority of savings made to date can be attributed to true productivity increases and doing the same for less.

The size of the corporation’s estate has already been reduced by 29%, despite the need to host new TV channels and radio stations. Even after rationalisation, in September 2014, 9.3% of the BBC’s estate sat vacant, some way off its 5% target. However, the corporation has been discussing terms with a potential tenant for vacant space in the Media Village in west London, as part of a new strategy developed last year, which will also see staff relocate to surplus space in Birmingham, Salford, Bristol and Caversham. These arrangements are set to reduce vacant space to just 2.6%, significantly reducing costs. Plans are also in place to move BBC Wales to newer, smaller and more efficient headquarters in Cardiff.

‘New cost-reducing targets will reduce the amount of space per person from 12 square metres today to 8.3 square metres, a target we’ve already reached at Broadcasting House,’ Bulford states. The current public-sector target, set by central government, is 10 square metres per person.

Despite the progress, a report from the NAO warned that the corporation does not have good enough information on how its buildings are used to make the most of their potential. In January Margaret Hodge MP, the Labour chair of the Public Accounts Committee (PAC), described the costs of running Broadcasting House as ‘staggering’ at about 50% more than other properties in the same part of London and almost three times higher than the UK average for comparable buildings.

Bulford’s positive take on the efficiency drive glosses over some of the hard decisions that have already

Target achieved

New Broadcasting House in central London has already reached the cost-reducing target of 8.3 square metres of space per person

been made along the way, not least the axing of the BBC’s ambitious but ultimately disastrous Digital Media Initiative (DMI). This set out to replace videotape with a single digital production and archive system. After five years and at a cost of almost £100m, the plug was pulled in May 2013. In the PAC’s post-mortem on DMI, Hodge criticised the BBC for being ‘far too complacent about the high risks involved in taking it in-house’.

Since then the corporation has completely overhauled how projects are delivered using its Compete or Compare framework, announced in July 2014, a new system of tests against comparable private sector contracts to help ensure value for money. ‘We are embedding that framework through all of the normal business cycles and keep on looking at opportunities, for example cross-divisional working, use of technology and opportunities to pool resources,’ Bulford says.





In 2014 alone the BBC saved £70m by re-procuring big long-term contracts and goods and services contracts, including renegotiation of a controversial 10-year, £2bn technology outsourcing contract with Atos. In combination with some new ways of working, this renegotiation will deliver almost £90m in cumulative savings by the end of the current charter.

Already, the BBC has slashed £150m a year through pay restraint and agreed headcount reductions, including cutting the number and overall cost of senior managers by more than a third. 'We have very rigorous programmes in benchmarking pay and policies around how we manage the challenge of being part of the world of media and at the same time being funded by the licence fee. We take market medians and discount depending on the role.'

Finance has, by Bulford's own account, undergone an 'extraordinary transformation' in the quest for efficiency. In addition to embedded teams within the business, all core finance activity is now managed out of a centre of excellence in Cardiff employing 200 staff. Meanwhile, an outsourcing deal with IT services company Steria for routine transaction processing has cut both headcount and the cost of finance by 50% from £101m to £50m 'at a time when the focus on financial management and financial control has been so extraordinary'.

Meanwhile, the BBC's £200m annual bill for on-screen 'talent' is also under the spotlight, as independent

Northern hub

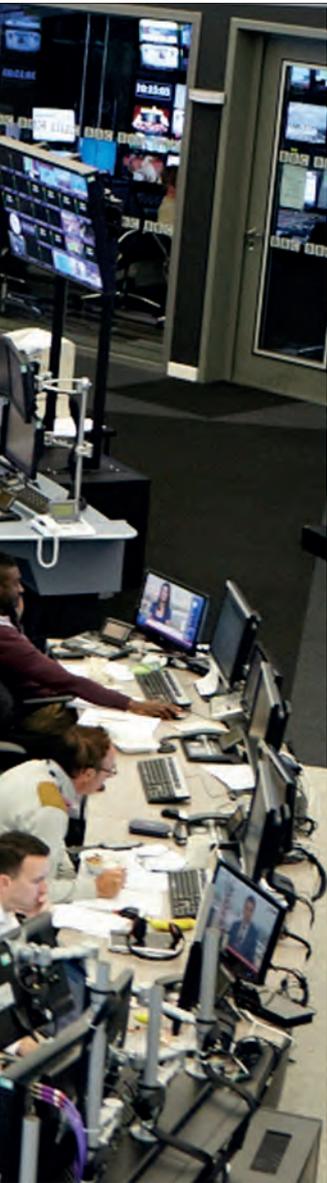
BBC Sport at MediaCityUK, Salford. About 2,700 people work in 26 BBC departments relocated there since 2011, with more to follow

experts assess whether this level of spending is in line with commercial competitors. There are 250 performers and presenters earning more than £100,000 a year at the BBC, according to its most recent annual report, 14 of whom earn over £500,000.

'We still have more to deliver – some £400m annual recurring savings – to meet our financial targets for the end of the charter. We know there are more opportunities to simplify and streamline. However, productivity gains will only get you so far,' Bulford warns. 'Many savings delivered in this charter period come from structural or one-off initiatives that can't easily be repeated, making it more likely that content and services will be impacted if the real-terms value of the licence fee continues to be reduced.'

In the meantime, though, Bulford is adamant that greater efficiency has not been at the expense of high standards. At a time when competition for the brightest ideas and the best people is escalating, Ofcom statistics show the BBC is still managing to beat the flagship channels of other public service broadcasters in viewers' perceptions of TV quality. And, while Netflix spent a reported \$100m (£65m) producing just two series of *House of Cards*, at the BBC that same amount stretched to 14 different series and more than three times as many hours of drama content.

The trick to balancing cost savings and quality is to regard the efficiency drive as an ongoing initiative rather



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than a project, Bulford stresses. ‘It’s absolutely embedded in everything that we do. There’s an important balance between day-to-day running the business and the project. You want to make sure everything is progressing at the right pace and that trade-offs are sensible, but you also have to recognise that the way to achieve efficiency and reduce cost is on the ground and involves doing stuff differently.’

Bulford certainly talks the talk, however she concedes that the road to efficiency is paved with cultural challenges, not surprisingly given the need for widespread job losses, the upheaval of a move from the corporation’s iconic west London home and uncertainty about where the axe might fall next. Publication of the efficiency report was as much about celebrating successes already achieved as providing a roadmap for the future, Bulford says.

‘People don’t wake up in the morning and say, “Oh

good, how can I save money today?” They are passionate about their work, they have brilliant creative ambition and they need resources to meet those ambitions,’ she says. ‘Over the last 12 months we’ve really emphasised some core principles around trying to minimise the money we spend on enabling work and maximising the money we spend on screen, where people can see it.’

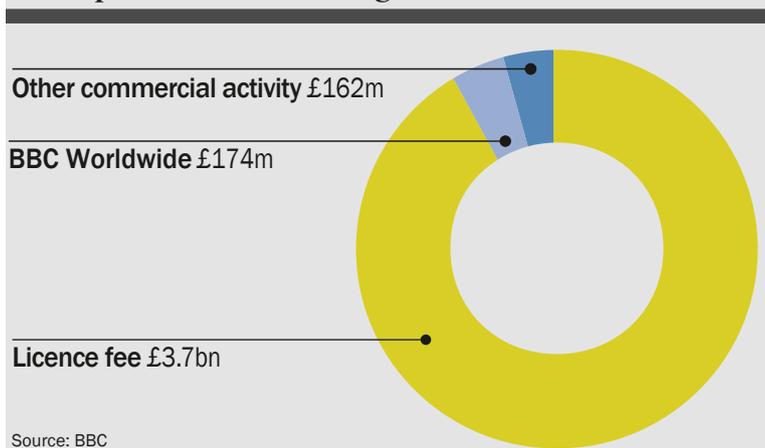
The National Audit Office is currently assessing the BBC’s performance against Delivering Quality First targets and is due to report back early this year. Bulford refuses to speculate on the outcome of that report. What is certain is that probing questions will undoubtedly be asked, not least whether the efficiency targets are ambitious enough.

Nonetheless, Bulford is confident that the transition to a brave new world of media consumption, and a leaner, more agile BBC, is already paying dividends. But she also warns that driving inefficiencies out of the BBC is a progressively harder task. ‘Do I believe you can keep on going indefinitely without reducing scope? No, I think it’s getting harder,’ she says. ‘The decision to close BBC Three as a broadcast channel this autumn is a sign of that. They are the sort of much more difficult choices we’re getting into.’

The only guarantee against service reduction would of course be an increase in the licence fee. ‘We’re not in that discussion with government and we won’t be this side of the general election, but there’s obviously a case to be made. The feedback from licence fee payers is that very many of them are very happy with it and would potentially pay more.’

Ultimately the success of the ‘project’ hinges on transparency about targets and clarity around the roles that people play in achieving them, Bulford says. ‘You need to recognise how much you’re asking people to do. Communication is absolutely key. You must never fall into the trap of thinking there’s a day when it stops. Efficiency is not an end point. It’s about continuous improvement.’

BBC’s public service funding sources



Source: BBC

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