



The BBC's move to Salford

Report by the Comptroller and Auditor General
presented to the BBC Trust Finance Committee,
10 April 2013



National Audit Office

BRITISH BROADCASTING CORPORATION

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Auditor General presented to the
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10 April 2013**

*Presented to Parliament by the Secretary of
State for Culture, Media and Sport
by Command of Her Majesty
May 2013*

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BBC Trust response to the National Audit Office value for money study: The BBC's move to Salford

Introduction

As the BBC's governing body, the BBC Trust receives value for money investigations into specific areas of BBC activity. These investigations, whether carried out by the NAO or by other organisations commissioned by the Trust, help us ensure licence fee payers are getting the best possible return from their licence fee.

We examine the findings from each report carefully, and ask BBC management to provide us with a full response and action plan that explain the actions the BBC will take in response to the recommendations made.

BBC Trust views on the report findings

We welcome the NAO's overall conclusion that the BBC managed the relocation to Salford on time, within the £233 million approved budget for the move, while successfully maintaining broadcast continuity.

The approved budgeted lifetime cost of the move, plus the operating costs for the Salford site up to 2030, was £942 million (£573 million after discounting future costs to their present values). As the NAO notes, this cost does not take into account reduced spend on the BBC's estate in London and Manchester as a result of the move.

The objectives for the relocation to Salford were better to serve audiences in the north of England, improve quality of content for all audiences, improve efficiency and provide economic and other benefits to the region. There are encouraging signs that the anticipated benefits of the move are beginning to be realised; the BBC's relative share of overall television viewing in the north-west has increased when compared to the UK average, more collaborative and flexible ways of working have been introduced, some efficiency savings have been delivered and there has been significant economic investment in the region. However, the Trust agrees that it is too early to conclude that the move has met its long-term objectives.

The BBC was able to maintain continuity for audiences and minimise redundancy costs by establishing a Salford relocation allowances policy that encouraged staff to move. The Trust accepts that such a policy was justified. However, having established the policy, we consider that any exceptions to it should have been rare, clearly justified and supported by well-documented business cases. It is therefore unacceptable that, as the NAO found, BBC management did not document the reasons for all exceptions to the standard policy.

Recommendations to BBC management

We have sought, and received, confirmation from BBC management that it will implement the report recommendations. The Trust is satisfied that BBC management's proposed actions are an appropriate response to the NAO's findings. We will require BBC management to report back to the Trust on the progress against these agreed actions.

Recommendations to the BBC Trust

Recommendation a

The BBC Trust should periodically review progress against the aims in the original business case for the move.

We will continue to review progress against the aims for the move and will carry out periodic reviews at the appropriate points in time.

Recommendation b

The BBC Trust should apply greater scrutiny to planned efficiency savings in business cases to ensure they are robust.

The BBC management's business case for the move included planned efficiency savings of £151 million to be delivered from the Salford site by 2030. The Trust sought assurances from BBC management about the deliverability of these efficiencies when approving the revised business case in February 2011. Since approving the revised business case, the BBC has undertaken a comprehensive review of where efficiencies can be made across all BBC divisions including BBC North and, through its Delivering Quality First plan, has developed plans to deliver these efficiencies. In 2011, we commissioned Ernst & Young to assess whether BBC management had approached this efficiency programme in a rigorous and thorough way. Nonetheless, we accept that at the time of Trust approval, we should have taken a further step to test the assurances we were given about the £151 million efficiencies.

BBC Trust
May 2013

BBC Executive response to the National Audit Office value for money review: The BBC's move to Salford

BBC Executive views on the report findings

In 2004, the BBC committed to moving a significant part of its activities outside of London, in order to better serve its audiences and deliver increased public value. The decision to choose Salford Quays as the location for BBC North was taken in 2006 and the biggest relocation project in UK media history was completed, in April 2012 after the completion of MediaCityUK.

The BBC welcomes this report from the NAO and its overall conclusion on value for money, which recognises that this major relocation project was well-managed, using the right processes and skills with a clear delivery plan, and completed on time and under budget.

The report also acknowledges that the BBC successfully retained and recruited the critical mass of skilled people needed to run its new state-of-the-art digital facility, and provided programmes and content to television, radio and online audiences without any break in service.

Though still in its early days, the benefits of BBC North are already showing in terms of audience appreciation, creative renewal and economic impact.

The BBC acknowledges the report's recommendations and work is already underway to ensure the delivery of our stated benefits and efficiencies.

The BBC will continue to provide timely and comprehensive reports on the progress of BBC North to the BBC Trust.

Recommendations to the BBC Executive

Recommendation c

When it is considering offering allowances to staff, the BBC should test value for money using appropriate benchmarks.

The BBC agrees that the use of benchmarks is necessary and as it did in this project and will continue to use external consultants to provide advice and guidance on appropriate data comparisons. As noted by the report, we set out to retain key staff in order to minimise the risk of negative impact on our output, and to minimise redundancy costs. We therefore established relocation allowances which were comprehensive and flexible enough to take into account our needs as well as a broad range of individual situations.

Recommendation d

The BBC should establish robust systems and maintain clear records when paying allowances so that it can demonstrate they were appropriate in all cases.

These points were raised by the BBC's 2012 internal audit, and have been implemented as the model for future relocation projects. Specifically, the BBC has strengthened its processes to ensure all payment authorisations are fully recorded, with clear and detailed explanations for any exceptions to policies. We are satisfied that all BBC North exception allowance payments, which represent 2.9 per cent of total relocation spend, were authorised at the appropriate level.

Recommendation e

The BBC should continue to seek recovery of all allowance payments which are repayable by staff who leave the BBC.

As noted by the report, the BBC has established a process to ensure this happens, and appropriate amounts have already been recovered. This process will remain in place until the end of the recovery period in 2015.

BBC Executive
May 2013



National Audit Office

British Broadcasting Corporation

The BBC's move to Salford

Report by the Comptroller and Auditor General

This report has been prepared at the request of the BBC Trust under Clause 79(3) of the Broadcasting Agreement between the Secretary of State for Culture, Media and Sport and the BBC dated July 2006

Amyas Morse
Comptroller and Auditor General
National Audit Office

28 March 2013

This report addresses the question of whether the BBC has managed its relocation to Salford cost-effectively and is on track to deliver value for money from its move north.

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This report can be found on the National Audit Office website at www.nao.org.uk/bbc-salford-2013

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Key facts

£224m

the forecast final cost of fitting out the BBC's buildings at Salford and moving people in

£942m

the approved budgeted lifetime cash cost including operating costs up to 2030

2,300

BBC staff working at Salford as at December 2012

£573 million the lifetime cost to 2030 after discounting future cash flows to their present values

£151 million total efficiency savings the BBC must make over the period to 2030 to remain within lifetime budget

£24 million estimated final cost of payments to BBC staff to compensate them for relocating to Salford

854 BBC staff who relocated to Salford from outside the Greater Manchester area

548 BBC staff made redundant because of the move

254 BBC staff recruited from the Greater Manchester area (including 39 from Salford)

Summary

1 Most of the BBC's decision-making and spending has been historically concentrated in London. To help address this imbalance, the BBC developed plans in 2004 to relocate a number of its departments to a new regional centre in the north of England. The BBC subsequently selected Salford as the location for this centre and completed the move in April 2012.

2 The BBC's Salford site comprises three office buildings, on which it has a 20-year lease up to March 2030. Peel Media Limited, a private sector company that is part of the Peel Group, financed and built the offices. The BBC also entered a ten-year contract up to March 2020 with Peel Media Studios Ltd for on-site studio and production services. The BBC Trust approved the move on the basis that the budgeted cost in cash terms (covering relocation and operating costs) of its Salford site up to 2030 would not exceed £942 million. This is equivalent to £573 million after discounting future cash flows to their present values. The cost does not take into account reduced spend on the BBC's estate in London and Manchester as a result of the move.

3 The BBC's objectives for moving to Salford are to:

- better serve audiences in the north;
- improve the quality of content for audiences across the UK;
- improve efficiency using new technology and ways of working; and
- provide economic and other benefits to the region, including up to 15,000 jobs.

4 We reported on the BBC's progress in developing its Salford site and two other property projects in 2010.¹ At that time, the new offices at Salford were nearly built but the process of fitting them out and moving staff in had not started. We concluded then that the BBC was not well placed to demonstrate value for money across the three projects we examined because it had not clearly assessed the intended benefits. We recommended that the BBC make future investment decisions by fully assessing the scope and cost, with clear baselines to measure performance. We also highlighted the importance of the BBC Trust effectively challenging business cases.

¹ Comptroller and Auditor General, *The BBC's management of three major estate projects*, National Audit Office, January 2010.

- 5 This report examines progress at Salford since our previous report:
- In Part One we set out the BBC's reasons for moving to Salford and its contracts with the developers of the site.
 - In Part Two we assess how effectively the BBC managed the move to Salford against the completion target of April 2012. Our findings on managing the logistics of the move and allowances for relocating staff should inform further moves that the BBC has planned as part of the ongoing consolidation of its estate.
 - In Part Three we examine how the latest estimates of the lifetime costs and benefits of the move up to 2030 compare with the BBC's original assessment. This includes an examination of the completeness of the BBC's cost estimates, evidence for planned efficiency savings and its approach to measuring the future benefits of the move.
- 6 Our findings and conclusions are based on reviewing documentary evidence, analysing financial data relating to the move and interviewing BBC officials and external stakeholders. Our audit approach is in Appendix One and our evidence base in Appendix Two.

Key findings

Managing the move

7 The BBC successfully completed the complex challenge of relocating to Salford by using the right skills and processes, developing clear delivery plans and maintaining good communications. The BBC recruited staff with expertise in managing relocations and set up a project team that developed and implemented plans for the move. Clear deadlines and individual accountabilities for each element of the move, covering people and equipment, provided a strong basis for monitoring progress (paragraph 2.3).

8 The BBC exceeded its target to relocate 30 per cent of staff from the 1,500 roles transferring from London to Salford. The BBC regarded the objective of encouraging sufficient staff to move to Salford to be critical to its ability to maintain the continuity and quality of its output, and reduce redundancy costs. We found that 38 per cent (574) of staff in the 1,500 transferring roles relocated. In total, 854 BBC staff relocated from outside Greater Manchester to Salford. This includes staff who were not earmarked for relocation but who volunteered to fill posts in Salford and staff recruited shortly before the move who agreed to relocate as a condition of employment. The BBC plans to move a further 1,000 posts to Salford by 2016 (paragraph 2.5 and Figure 4).

9 To encourage sufficient staff to move, some of the allowances the BBC offered to incentivise and compensate relocating staff, and minimise redundancy costs, were more generous than it normally offers. The BBC forecasts that the final cost of relocation allowances will not exceed £24 million. Some of its allowances, such as offering homeowners a guaranteed minimum price for their existing home if they moved, are standard practice for relocation projects. Others, such as the remote location allowance for homeowners, are not. The remote location allowance covered the cost of renting property in Salford and travelling to and from London at weekends for two years so that staff who were unable or unwilling to commit to moving permanently could keep their homes in the south-east. Depending on which option they chose, homeowners also received a cash payment of £5,000, and 10 per cent of their salary as a financial incentive to move. Staff in rented accommodation were paid £5,000 as a financial incentive to move. All staff have to repay part of their relocation allowances if they leave the BBC within three years of moving, unless they are on the remote location allowance (paragraphs 2.6 and 2.8, and Figure 5).

10 The BBC benchmarked some of its allowances, but controls over exceptions to its relocation policy were inadequate:

- The BBC sought external advice on its guaranteed house purchase scheme, which offered staff at least 85 per cent of the market value of their existing homes. Some public sector bodies operating this type of scheme have previously offered 100 per cent of market value. The BBC also benchmarked the upper limit for monthly remote location allowance payments of £1,900 before tax. It did not benchmark the payments to some staff of £5,000 and 10 per cent of salary. These payments were designed to provide a financial incentive to move and limit take-up of the guaranteed house purchase scheme, which carried financial risks for the BBC if house prices fell (paragraphs 2.15 to 2.19).
- The BBC made 91 exceptions to its relocation policy to account for personal circumstances, such as meeting the needs of staff with disabilities or caring responsibilities. In March 2012, BBC internal audit reported that although the relocation team kept a record of most exceptions, authorisations had not been documented. In one verbally approved case reported by internal audit, a member of staff had received an allowance for selling a second home in the east of England while retaining their London home in the south. The BBC committed to fully documenting authorisations. However, we found that 44 staff received more than the monthly maximum gross remote location allowance of £1,900, of which only six had been recorded as exceptions. The BBC told us that it paid some staff more to offset the impact of higher income tax rates on the net amount they received (paragraphs 2.12 to 2.14).

11 The BBC delayed installing digital technology at Salford that was designed to make programme-making more efficient, but took appropriate steps to mitigate the impact. The BBC delayed installing digital technology for staff to manage content on their desktops, through its wider Digital Media Initiative, for 12 months due to technical problems not directly connected with the move to Salford. Staff used temporary systems or external contractors at a total estimated cost of £200,000. The BBC installed a permanent system in October 2012 (paragraphs 2.21 to 2.22).

12 The BBC established 'dual running' arrangements that helped maintain broadcast continuity during the move. Temporary 'dual running' arrangements provided the BBC with the option of switching broadcasting to another site if there were any technical problems at Salford (paragraph 2.25).

Completing the move

13 The BBC estimates that the final cost of fitting out the buildings at Salford and moving people in will be £224 million, which is £9 million less than the revised budget approved by the BBC Trust in February 2011. In February 2011, the BBC Trust approved a £32 million increase in the budget for the move phase to £233 million. The increase was mainly owing to the BBC's decision to bring technology installation in-house and retain ownership instead of selling it to a third party then leasing it back. The increase also reflected updated information about the number of staff relocating. The BBC offset further increases in technology costs after February 2011 against significantly lower than planned spend on people costs (paragraph 2.23 and Figure 9).

Lifetime costs and benefits

14 The BBC has made good progress since our 2010 report in setting out the future benefits it expects to achieve and how it will measure them. The BBC addressed recommendations in our 2010 report to establish targets and performance indicators so that the achievement of benefits could be evaluated. For some indicators, the BBC does not yet have systems to collect reliable data and it is revising its approach. For example, the BBC has contracted consultants to establish a framework for the BBC and its delivery partners in the north to carry out economic impact assessments (paragraphs 3.10 and 3.19).

15 It is too early to judge the long-term impact of the move. The BBC Trust approved the business case for the move on the grounds that it would improve audience approval, increase efficiency and provide regional economic benefits. The BBC set targets to measure the impact of the move in each of these areas. There have been some early impacts, such as an increase in the gross value added by the BBC's spend in the region. However, in our view, it is too early to assess the full impact of the move as it will take at least two to three years for it to take effect (paragraphs 3.11 to 3.13 and 3.19).

16 In February 2011, the BBC Trust approved a revised lifetime budget for moving to Salford and operating the site up to 2030 of £942 million, which was £66 million higher than the previous budget:

- **The revised budget included a £238 million increase in gross costs owing to the BBC revising some existing cost estimates and introducing new requirements.** The revised estimate included an additional £126 million following the BBC's decision to establish a head office unit and other central services at Salford; £63 million for additional technology services; and a £28 million increase in estimated utilities costs. The recognition of these costs in the revised estimate met our previous recommendations to ensure that business cases fully assess lifetime costs (paragraph 3.3).
- **The BBC did not carry out sufficient analysis of how it would make efficiency savings totalling £151 million up to March 2030 to offset the increased cost.** The BBC did some preliminary work examining how efficiency could be improved. However, it calculated efficiency savings for the business case by comparing the difference between available funding and the increased cost instead of doing supporting analysis. The BBC has since partly addressed this by reducing the budgeted cost for its head office unit and other central services at Salford by £45 million, including through reducing budgets for consultancy and legal advice. We have previously found weaknesses in analysing savings in other BBC property projects we have examined.² The Committee of Public Accounts has also found that the BBC's assessment of the scope for wider efficiency savings was not based on a proper analysis of costs³ (paragraph 3.4).

17 **The BBC needs to better match its contract for studio space at Salford with the needs of the departments that relocated.** The BBC signed a contract with Peel Media Studios Ltd agreeing a guaranteed minimum annual spend on three different types of services up to 2020. As at September 2012, the BBC's requirements for one type of studio service had been less than planned, resulting in a £500,000 underspend against the contractual minimum of £2.8 million. The BBC is considering how it can increase its use of studio space at Salford to bring it into line with minimum contractual commitments (paragraphs 3.16 and 3.17).

Conclusion on value for money

18 The BBC relocated to Salford on time and maintained broadcast continuity. The latest estimates show that the final cost of the move phase should be below the revised budget of £233 million approved by the BBC Trust in February 2011. The BBC maintained skills and reduced redundancy costs by offering London-based staff relocation packages to encourage them to move. However, it did not apply sufficient rigour to managing relocation allowances, in particular recording exceptions to its standard relocation policy and may therefore have incurred some unnecessary costs.

² See, for example, Comptroller and Auditor General, *The BBC's White City development: the second phase of the building project*, National Audit Office, June 2005.

³ HC Committee of Public Accounts, *The BBC's efficiency programme*, Seventy-third Report of Session 2010–2012, HC 1658, March 2012.

19 Although the BBC has completed the transfer to Salford, it is too early to judge whether it will deliver value for money. This will depend on the BBC's ability to achieve a sustained improvement in audience approval in the north, embed new ways of working to achieve efficiencies of £151 million and provide sustainable economic benefits for the region. The BBC has developed an appropriate approach to measuring the future impacts of the move but has not yet set out clearly how it intends to make all of its planned efficiency savings.

Recommendations

- a** **The BBC Trust should periodically review progress against the aims in the original business case for the move.** The BBC Trust approved the move to Salford on the grounds that it would achieve specific benefits for the north and for the BBC. To allow it to track progress, the BBC Trust will need timely and reliable information on performance against the objectives set out in the business case.
- b** **The BBC Trust should apply greater scrutiny to planned efficiency savings in business cases to ensure they are robust.** The BBC did not analyse how it would achieve planned efficiency savings of £151 million in the business case it submitted to the BBC Trust in February 2011. The BBC has since reduced the lifetime budget for its head office unit and other central services by £45 million but needs to do further work on achieving efficiency savings.
- c** **When it is considering offering allowances to staff, the BBC should test value for money using appropriate benchmarks.** The BBC did not benchmark all elements of the relocation allowances. This meant that for some of its allowances, the BBC could not show that it had set them at an appropriate level.
- d** **The BBC should establish robust systems and maintain clear records when paying allowances so that it can demonstrate they are appropriate in all cases.** The BBC's documentation of exceptions to its standard relocation policy was not sufficiently clear. This creates financial and reputational risks. The BBC will need to address this in future moves, which include relocating a further 1,000 posts to Salford.
- e** **The BBC should continue to seek recovery of all allowance payments that are repayable by staff who leave the BBC.** Staff who leave the BBC within three years of relocating to Salford must repay a proportion of their relocation allowance. How well the BBC recovers payments will depend on the quality of its management information and agreeing repayment terms for former employees.

Part One

Background

1.1 In April 2012, the BBC completed the move of a number of its departments to a new site in Salford, known as 'Media City UK'. This part of the report covers:

- the reasons for the move;
- the BBC's contracts with the developers; and
- the scope of our report.

Reasons for moving to Salford

1.2 Most of the BBC's decision-making and spending has been historically concentrated in London. To achieve a more balanced national spending profile and better reflect audience needs outside of London, the BBC set targets in 2004 for the period up to 2016 to:

- increase the proportion of public service staff based outside London from 42 per cent to 50 per cent;
- increase annual spend on programmes outside London by 35 per cent to £1 billion; and
- move 20 per cent of decisions (measured by spend) to commission new programmes outside of London.

1.3 To help meet these targets, the BBC decided in 2006 that it would establish a new regional centre in Salford. The BBC calculated that moving to Salford could increase the net cost of its estate by up to £120 million (after discounting future cash flows to their present value) over the period to 2030 compared to alternative options. However, it concluded the move would still be value for money owing to the wider benefits of:

- helping to better serve audiences in the north;
- increasing the quality of its content and using new technology and ways of working; and
- providing economic and other benefits to the region.

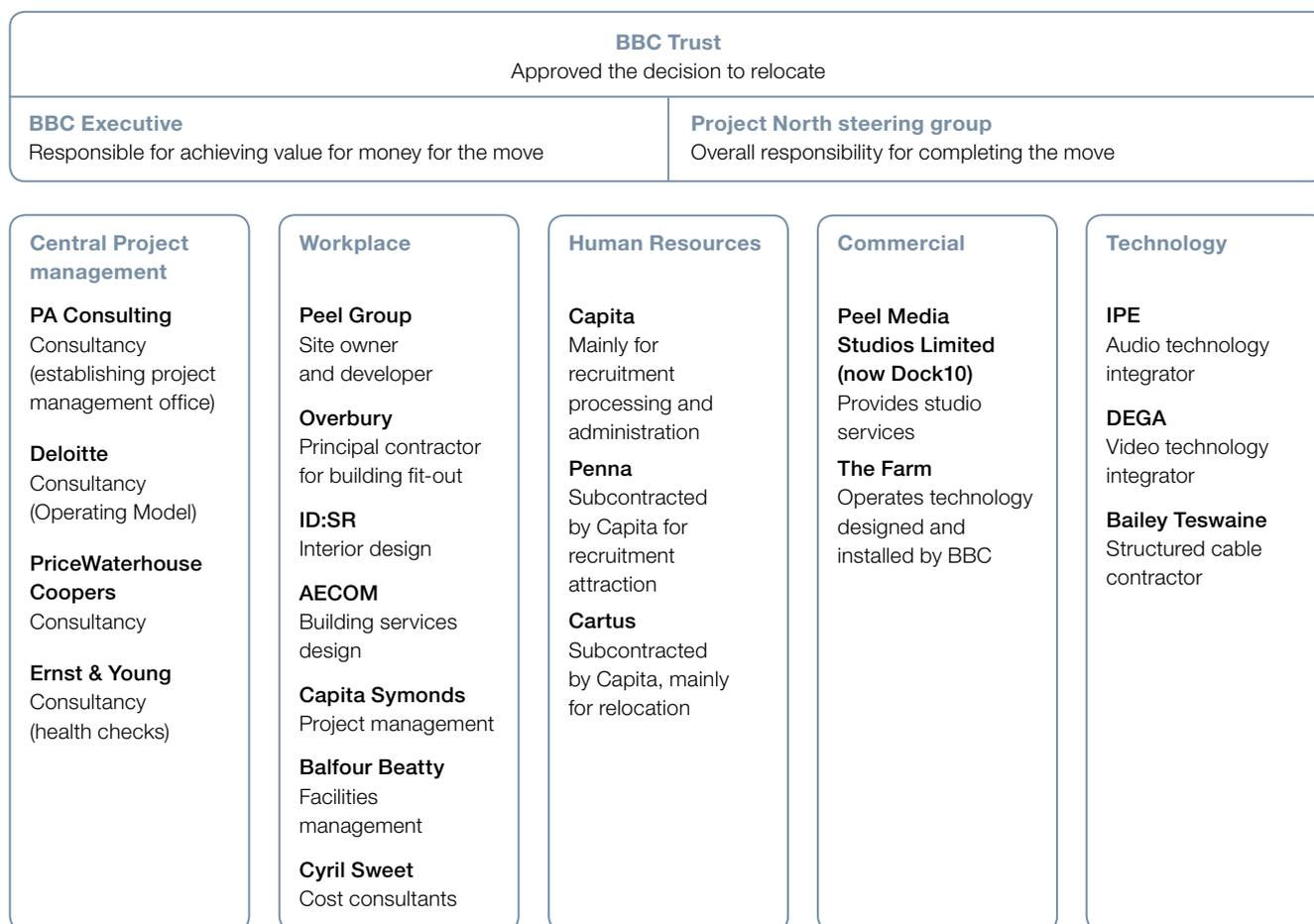
1.4 The BBC Trust, which replaced the BBC Board of Governors in January 2007, approved the relocation, on the recommendation of the BBC's executive board. The Trust was responsible for assessing whether the proposal was good value for money for licence fee payers and was affordable. The BBC established a steering group to oversee the move to Salford. In April 2012, the steering group closed and the newly created North Group Board took on responsibility for the strategy and management of BBC North.

BBC's contracts with the developers

1.5 The BBC's Salford site comprises three office buildings within a wider complex known as 'Media City UK' in Salford Quays. The Peel Group owns the site, which includes offices, studios, hotels, private residences and other buildings. Peel Media Ltd, a subsidiary of the Peel Group, financed and developed the BBC's buildings (**Figure 1**). The BBC has a 20-year lease on the buildings up to March 2030, with an estimated lifetime rental cost of £171 million.

Figure 1

The BBC relied on a number of key delivery partners to complete the move in five different areas



1.6 The BBC also entered a ten-year contract up to March 2020 with Peel Media Studios Ltd to rent studio and production facilities at 'Media City UK' on a 'pay-as-you-go' basis. Under the contract terms, the BBC has a legally-binding commitment to spend at least £82.8 million on studio and production services over the period to 2020. The BBC committed to giving Peel Media Ltd a guaranteed income stream to help it raise finance to construct the studios.

1.7 The BBC's Salford site has 330,000 square feet of office space. It houses Children's, Sport, 5 Live, Learning and BBC Breakfast, parts of Future Media & Technology, Marketing & Audiences, the BBC Academy and the departments that moved from Oxford Road, Manchester. As at December 2012, nearly 2,300 BBC staff worked at the site (**Figure 2** overleaf). The BBC intends to transfer a further 1,000 posts from London to Salford by 2016 by further improving ways of working. The estimated budgeted cost of the move to Salford (covering fit-out, relocation and running costs up to 2030) is £942 million. This is equivalent to an annual operating cost to the BBC of around £18 million.

Scope of this report

1.8 We reported in January 2010 on progress in building the BBC's offices at Salford.⁴ We found that construction was on track to complete in March 2010 and that the BBC expected all relocating staff to have moved in by December 2011. However, we found that the BBC had not clearly assessed the intended benefits to give a baseline against which to measure achievements.

1.9 This report examines:

- how effectively the BBC managed the logistics of the move, which it completed in April 2012, allowances for relocating staff and the associated costs (Part Two); and
- how the latest estimates of the lifetime costs and benefits of the project up to 2030 compare with the BBC's original plans (Part Three).

The BBC's decision, in 2006, to move to Salford is outside of the scope of our report.

⁴ Comptroller and Auditor General, *The BBC's management of three major estate projects*, National Audit Office, January 2010.

Figure 2

As at December 2012, there were 2,282 BBC staff working at the Salford site

Locations and departments that roles moved from



Television Centre, London (and other parts of the BBC)

Children's, Sport, 5 Live, Learning and BBC Breakfast, parts of Future Media & Technology, Marketing & Audiences and the BBC Academy.



Oxford Road, Manchester

Religion and Ethics, Regional and local news, the Philharmonic Orchestra and technical operations and broadcasting staff.

How the roles were filled at Media City, Salford



- 854 BBC staff relocated from London and other parts of the BBC and were eligible for a relocation package.
- 207 BBC staff relocated from London and other parts of the BBC but were not eligible for a relocation package.
- All 638 BBC staff in transferring roles moved from Oxford Road to Salford.
- 583 staff were recruited from outside of the BBC.

NOTES

- 1 Staff were not eligible for a relocation package if they already lived close to Salford or relocated with a partner who was in receipt of relocation support.
- 2 A further 300 staff such as freelancers and employees of service providers contracted by the BBC also work at the site.

Source: National Audit Office using BBC data

Part Two

Managing the move

2.1 In this part of the report, we examine:

- the time taken to complete the move and how it compared with the BBC's planned timetable;
- staff moves and payment of relocation packages to relocating staff;
- how the cost of completing the move by April 2012 compared with the BBC's revised 2011 budget; and
- business continuity and broadcast performance during the move.

Completing the move

2.2 The move to Salford was the largest relocation project in the BBC's estate strategy. It was a major logistical exercise to transfer people and equipment from London and Manchester while maintaining broadcast continuity. Despite the challenges, the BBC completed the move in April 2012, in line with its planned timetable (**Figure 3** overleaf), except for part of the technology fit-out (paragraph 2.21).⁵ Most BBC staff in our focus groups who relocated to Salford were complimentary about how it was managed and the support they had before and during the move.

⁵ The BBC revised its timetable for completing the move from December 2011 to April 2012 after adding BBC Breakfast to the list of transferring departments.

Figure 3

How the BBC performed against the phased timetable for the move

The BBC completed each main phase in line with planned timetables, with the exception of the technology fit-out



Source: National Audit Office using BBC data

Factors influencing completing the move

2.3 We identified from our examination of the BBC's project management approach the following factors as having an important influence on meeting planned timetables for the move:

- **Securing the right skills.** The BBC set up a project management team headed by an experienced project director to plan and manage the move. The project team recruited staff with experience of managing large relocation projects.
- **Developing a clear timetable.** The project team made a delivery plan with clear milestones, well before the move started. Details of what was moving from where to where, with supporting deadlines, were communicated to staff by managers and through the BBC intranet.
- **Assigning clear roles and responsibilities.** Drawing on lessons from previous property projects, the BBC set clear roles and responsibilities to achieve each element of the plan. The head of each relocating department had specific responsibilities to meet milestones and was directly accountable to the project director.
- **Effective risk management and contingency.** The project steering group monitored risks monthly, identified appropriate mitigating action, prepared contingency plans and estimated financial contingencies through detailed probability and impact analysis.
- **Regular monitoring.** The project team gave the steering group and finance committee regular reports on benefits, milestones, dependencies, resources, costs, risks and issues, relocation and recruitment. The BBC also commissioned Ernst & Young to carry out health checks of the BBC North business case and action plan and, PriceWaterhouseCoopers to do a project-closure health check.

2.4 In line with good practice, the BBC reviewed the lessons-learned after completing the move. Areas for improvement that the BBC identified included investing more time in ensuring that line managers fully understood allowance policies and their own approval responsibilities.

People

2.5 The BBC aimed to transfer at least 30 per cent of existing staff in the 1,500 roles identified for relocation from London to Salford (**Figure 4**). We found that 574 staff (or 38 per cent of the 1,500 transferring roles) had relocated. Where existing staff chose not to relocate, the BBC planned to fill their roles by recruiting staff from other parts of the BBC who offered to move voluntarily, and by recruiting externally. The BBC's records show that in total, 854 BBC staff moved to Salford. This includes staff from other parts of the BBC who were not due to relocate but who agreed to fill vacant posts and staff recruited shortly before the move who agreed to relocate as a condition of their employment.

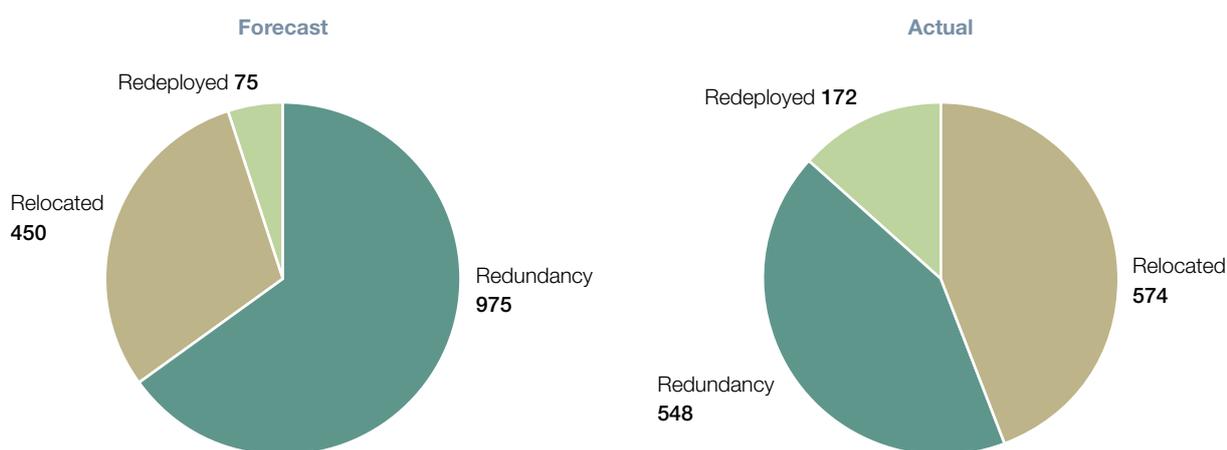
Relocation packages

2.6 Offering relocation allowances to compensate staff for the cost and disruption involved in relocating is standard practice in both the public and private sectors. The BBC offered different options to staff depending on whether they owned their own homes and were in transferring roles (**Figure 5**). Allowances were approved by BBC North's human resources team.

Figure 4

Forecast and actual numbers of existing staff who relocated in transferring roles, were redeployed to another role or took redundancy

The number of staff in transferring roles who chose to relocate to Salford was higher than the BBC expected



NOTE

1 'Actual' excludes 42 staff who resigned voluntarily; 42 staff who transferred on temporary attachments; and staff employed as freelancers or on temporary contracts.

Figure 5
Allowances for staff relocating from London and other parts of the BBC

The BBC offered different allowances according to whether staff were homeowners and in transferring roles

	Staff in transferring roles			Staff not originally in transferring roles	
	Homeowners	Non-homeowners	Homeowners	Non-homeowners	Homeowners
Main allowance	<p>Guaranteed house purchase Scheme Guaranteed sale price equal to 85 per cent of the value of their home</p> <p>Assisted relocation One-off payment of 10 per cent of annual pensionable salary (subject to tax and National Insurance deductions)</p> <p>Remote location allowance Taxable monthly allowance of up to £1,900 gross for up to two years to fund rent, utilities and council tax in Salford, and travel to and from the south-east</p> <p>Enhanced allowance for Salford Reimbursement of reasonable temporary accommodation costs for up to four weeks</p>	<p>Standard BBC relocation allowance Reimbursement for qualifying relocation costs up to a maximum of £8,000</p> <p>Standard BBC relocation allowance Reimbursement of reasonable temporary accommodation costs for up to four weeks</p>			
Additional allowances	<p>Reimbursement of qualifying relocation costs such as stamp duty (no upper limit, but taxable over £8,000)</p> <p>One-off taxable relocation payment of £5,000</p> <p>Contribution of up to £3,000 towards household goods</p> <p>Reimbursement of up to £350 for familiarisation visits</p>	<p>Reimbursement of qualifying relocation costs such as stamp duty (up to a maximum of £8,000 if the employee chooses to move home permanently at the end of the two-year period)</p> <p>Reimbursement of up to £350 for familiarisation visits</p>	<p>Reimbursement of up to £350 for familiarisation visits</p> <p>Reimbursement of other costs such as estate agent's fees</p> <p>Reimbursement of up to £350 for familiarisation visits</p>	<p>Reimbursement of removal services costs using an approved supplier</p> <p>Reimbursement of other costs such as estate agent's fees</p> <p>Reimbursement of up to £350 for familiarisation visits</p>	

NOTE

- 1 Staff not originally in transferring roles covered: employees who were not part of the move but volunteered to fill posts in Salford; and recently recruited staff who agreed to relocate as a condition of their employment.

Source: National Audit Office following review of BBC policy

2.7 The BBC's records show that it paid relocation allowances to 894 staff (**Figure 6**). The most popular option among homeowners was the remote location allowance, with 175 staff taking it (Figure 6). This allowance offered 24 monthly taxable payments of up to £1,900 to cover the cost of renting accommodation in Salford, utilities, council tax and regular travel to and from London. The allowance is subject to tax, so employees whose income is taxed at 20 per cent could receive a monthly maximum of up to £1,520 after tax and National Insurance (or around £1,100 for those taxed at 40 per cent). The BBC introduced this allowance in 2009 to retain staff who were not able or willing to commit to moving out of London permanently but were prepared to commute to Salford. The BBC estimated that 50 per cent of staff taking this option would relocate permanently after two years. As at December 2012, 28 of the 175 staff who opted for this allowance had left the BBC. Staff receiving this allowance who subsequently choose to relocate permanently are entitled to a further payment of up to £8,000 for qualifying relocation expenditure.

Figure 6
Take-up and cost of relocation allowances

894 BBC staff received relocation payments at an average cost (including tax and National Insurance) to the BBC of £23,000

Package	Number of staff who received it	Total forecast cost to the BBC (£000)	Average cost to the BBC per employee (£000)	Total payments received by employees (£000)	Average payment received per employee (£000)
Guaranteed house purchase scheme	27	1,106	41	696	26
Assisted relocation	169	9,369	55	6,070	36
Remote location allowance	175	7,213	41	6,984	40
Retain house in south and rent in the north at own cost	31	269	9	221	7
Enhanced allowance for non-homeowners	183	1,494	8	1,298	7
Standard BBC allowance for homeowners	101	743	7	666	7
Standard BBC allowance for non-homeowners	165	344	2	280	2
Subtotal	851	20,538	24	16,215	19
Staff who did not complete their move	30	125	4	99	4
Other	13	36	3	32	2
Total	894	20,699	23	16,346	18

NOTES

- 1 Cost to the BBC includes tax and National Insurance. Payments to employees shows the amount that relocating staff received.
- 2 Thirty staff who were reimbursed for the cost of familiarisation visits and temporary accommodation subsequently decided not to move.
- 3 'Other' includes three staff who relocated but did not take any relocation payments.

Source: National Audit Office analysis of BBC data

2.8 The BBC's relocation policy requires employees who leave voluntarily within 36 months of relocating to repay a proportion of their allowance, with the exception of the remote location allowance, which is exempt. The BBC aims to agree repayment plans with staff before they leave, but if this is not possible it follows a debt recovery process. As at December 2012, the BBC had recovered £82,000 from 22 staff and was in the process of recovering a further £77,000 from 22 other staff.

2.9 The BBC's forecast of the maximum cost of relocation allowances was £24 million, including £3 million contingency, as at December 2012. There has been a significant range in the cost of individual payments, including tax and National Insurance (**Figure 7** overleaf). The maximum gross payment was £150,000 (£85,000 net). Our examination of the BBC's records showed that the wide range was owing largely to a small number of staff who owned high-value properties incurring significantly higher stamp duty, estate agent's fees and related costs compared to the average.

Managing relocation allowance payments

2.10 We would expect the BBC to exercise adequate control over the award and payment of relocation expenses in accordance with the policy set by the BBC and for exceptions to the policy to be properly authorised and documented.

2.11 The BBC did not apply a consistent approach to checking that relocating staff had actually incurred the costs that they were claiming. Staff owning their own homes had to provide receipts to recover the cost of stamp duty, solicitors' fees and other qualifying relocation expenditure. Claims made by staff on the guaranteed house purchase scheme and the assisted relocation option for spend on household goods such as curtains and carpets were also checked. The BBC did not, however, ask staff to provide evidence that they owned a home and were therefore entitled to homeowners' allowances until after payments started. Staff on the remote location allowance had to provide copies of their rental agreements or hotel bills but not receipts for train travel or utilities. The BBC's decision not to require receipts for some costs creates a risk that payments to staff exceed their actual costs, resulting in the BBC paying more than it needs to.

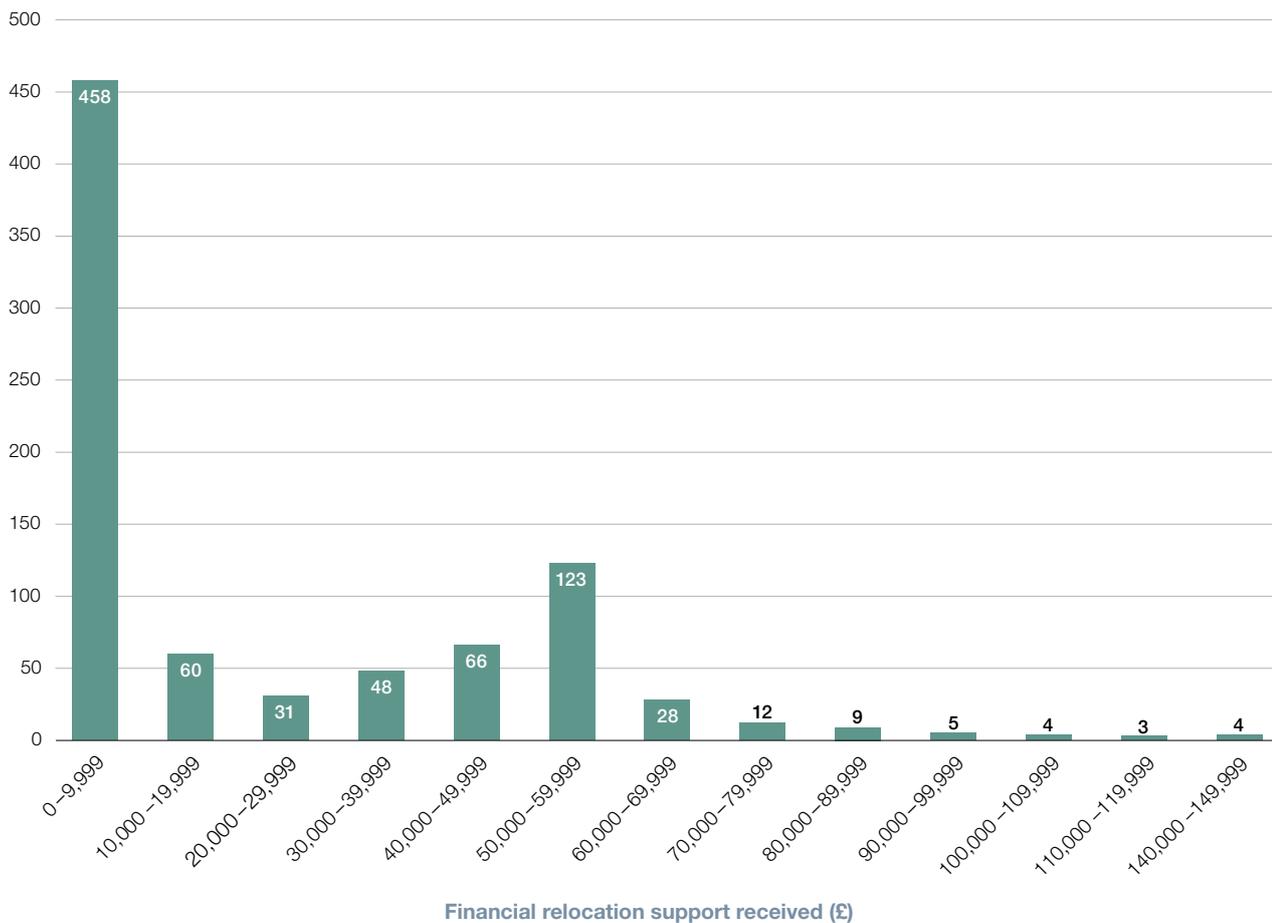
2.12 The BBC made 91 exceptions to its relocation policy to cover employees personal situations, such as to meet the needs of staff with disabilities or caring responsibilities. The BBC did not have a documented process for handling exceptions, but considered applications case by case. The BBC's internal audit reported in March 2012 that although the human resources department at Salford kept a log of exceptions, the reasons recorded in the log were sometimes unclear or missing, and authorisations had not been documented.

Figure 7

Variations in the cost to the BBC (including tax and National Insurance) of relocation allowances for individual employees

Relocation allowances typically cost the BBC less than £10,000 per employee, but for some staff the costs were much higher

Number of staff



NOTE

1 Excludes data for the 30 staff who decided not to move and the 13 'other' staff included in Figure 6.

Source: National Audit Office analysis of BBC data

2.13 Internal audit also identified six exceptions that had not been recorded on the log, including a decision to allow a member of staff to apply the guaranteed house purchase scheme to their second home in the east of England so that they could keep their London home. The retrospective reason the BBC gave for this allowance was that it was for a key member of the team. It cost the BBC £22,000 (including £5,000 for tax and National Insurance), which was less than half the cost had this staff member opted for the remote location allowance. The BBC justified 23 exceptions on the basis that the staff involved had a 'key role' or were 'critical to the business' (**Figure 8**). The relocation policy was designed to support staff in key roles or who were critical to the business, so it was not clear from the BBC's records why additional support was appropriate in these cases.

2.14 As at December 2012, the exceptions log was not complete. In response to internal audit's findings, the BBC retrospectively documented authorised exceptions and reasons for awarding them. We found from our review of the BBC's revised log that in ten cases, the log did not provide a clear account of why exceptions had been made (**Figure 8**). Our analysis of the BBC's financial records showed that 44 of the 175 staff in receipt of the remote location allowance were paid an average gross monthly allowance that exceeded the monthly maximum of £1,900. This increased the total cost to the BBC of this allowance by £130,000, or £5,500 each month. Only six of the 44 cases had been recorded as exceptions to the standard policy. The BBC told us that it paid some staff more to offset the impact of higher income tax rates on the net amount they received. We also found that information on allowance payments held by the BBC's human resources department was inconsistent with information held by its finance department. We were therefore unable to confirm how many staff received more than the maximum.

Figure 8
Categories of exceptions made to the relocation policy

Category	Number of exceptions
Family, caring or disability issues	26
To incentivise staff where the BBC felt that they had a 'key role' or were 'critical to the business'	23
Additional costs incurred by staff as a result of problems in the process of moving	11
Extra costs owing to changes to the BBC's move timetable	8
Misunderstanding of what was offered owing to a BBC error	4
Other miscellaneous reasons	9
Reason not clearly documented	10
Total	91

Source: National Audit Office analysis of BBC data

Benchmarking

2.15 To encourage staff to move to Salford, the BBC offered a wider range of allowances than it would normally provide for routine staff relocations. Some elements of its policy, such as the guaranteed house purchase scheme, are standard practice for relocation projects. Others, such as the remote location allowance, are unusual. In this section we examine the rationale for each allowance and how the BBC sets their value.

2.16 The BBC initially proposed offering homeowners an allowance for six months to cover temporary accommodation costs while they searched for a new property and a choice of:

- a guarantee that they would receive at least 95 per cent of the estimated value of their home based on an independent valuation (the guaranteed house purchase scheme);
- help with marketing their property if they didn't accept the 95 per cent guarantee; or
- reimbursement of fees incurred in selling their home if they chose to manage the sale themselves.

2.17 The BBC appointed the consultants Governetz to review its relocation policy in 2008. Governetz suggested that, in the context of a declining property market, reducing the guaranteed sale price under the house purchase scheme to 85 or 90 per cent of the estimated value would reduce the financial risks to the BBC. Governetz concluded that reducing the guarantee could undermine the relocation programme and recommended maintaining it at 95 per cent. However, to reduce the risk, the BBC decided to lower the guarantee to 85 per cent. This reduced its exposure to the impact of falling property prices, but also discouraged staff from choosing this option, with only 27 people taking it up. Guarantees previously offered by some public sector bodies under this type of scheme have been 100 per cent of market value.

2.18 Governetz did not examine any of the other allowances in detail due to time constraints, and the remote location allowance was not in place when the review was undertaken. We found from our comparison of the other allowances offered by the BBC with relocation policies used by other public sector bodies that:

- The reimbursement of qualifying expenditure, such as stamp duty and solicitors' fees involved in buying and selling a house is standard practice.

- The reimbursement of rent and travel for two years is unusual for a permanent move. The BBC's original intention was to meet temporary accommodation costs for up to six months. The BBC extended it to two years to retain staff who did not want to commit to relocating permanently but were willing to commute to Salford. The BBC set the upper limit for this allowance at £1,900, before tax, based on its assessment of the cost of renting a 'good quality 2-bed apartment' (£650), utilities (£120), council tax (£100) and regular travel between London and Salford (£297).
- The payment under the assisted relocation option of 10 per cent of salary is not standard practice, but was introduced by the BBC to provide a financial incentive for staff to move.
- The one-off taxable payment of £5,000 is not standard practice. This was a long-standing BBC policy to provide a financial incentive to staff who agreed to move.
- Reimbursing the cost of household goods such as carpets and curtains is standard practice. The BBC offered to reimburse staff up to £3,000, but did not benchmark the value of this allowance.

2.19 The BBC has plans for further moves as part of the ongoing consolidation of its estate. In October 2011, it announced that in future relocations, the maximum payment period for the remote location allowance would be reduced from 24 to 12 months; and the one-off cash payments of £5,000 and 10 per cent of salary would not be available.

Redeployment, redundancy and recruitment

2.20 The BBC redeployed 172 London-based staff who chose not to relocate and made 548 staff redundant. As at December 2012, the BBC had spent £26.2 million on redundancy payments, or an average of £48,000. This is double the average cost of relocation allowances. The BBC filled posts at Salford where existing staff had chosen not to relocate by recruiting staff from other parts of the BBC or externally. Although the BBC did not set targets for local employment, it had recruited 254 staff from Greater Manchester including 39 from Salford as at December 2012. The BBC plans to transfer up to 1,000 more posts from London to Salford by 2016 by making better use of space.

Technology

2.21 Successfully installing information and broadcast technology was critical to creating and broadcasting programmes. The technology installation had three main elements:

- **Information technology for news, radio and offices.** This was the largest part of the technology installation. It involved setting-up television and radio studios, video and audio editing facilities and other technology needed to run the BBC's news operation. It also included the design and installation of general office technology such as telephony, video conferencing and wireless networks. The BBC carried out this technology fit-out itself.
- **Studio, presentation and broadcast equipment.** The BBC agreed in 2007 that Peel Media Ltd. would provide a studio and post-production facility. The BBC had also intended to get Peel Media Ltd. to provide the technology fit-out of studios and editing broadcast equipment in the BBC's buildings for Sport, Children's and Vision. However, owing to time constraints and risk of not meeting the timetable for this part of the project, the BBC decided in June 2010 to manage these in-house. Although this resulted in some programmes being transmitted later than planned, the BBC met its objective to start broadcasting from Salford in August 2011.
- **Digital Media Initiative.** This BBC-wide initiative was designed to provide a digital system for staff to develop, create, share and manage video and audio content and programming on their desktop. Owing to technical problems and delays in delivering this initiative, BBC North decided to use its own modified in-house editing system, which went fully live in October 2012.⁶ The delay meant that some teams had to contract out work that would otherwise have been carried out in-house, at a cost of £200,000.

2.22 The cost of installing technology was, at December 2012, £87.9 million, or 17 per cent higher than budgeted. This was largely owing to the BBC's decision to bring the fit-out of presentation and broadcast equipment in-house. The BBC planned to spread the cost of the fit-out by selling the equipment to a third party for £23.7 million and then leasing it back. However, in December 2011 the BBC decided to retain ownership of the equipment.

⁶ See Comptroller and Auditor General, *The BBC's management of its Digital Media Initiative*, National Audit Office, January 2011.

Cost to complete the move

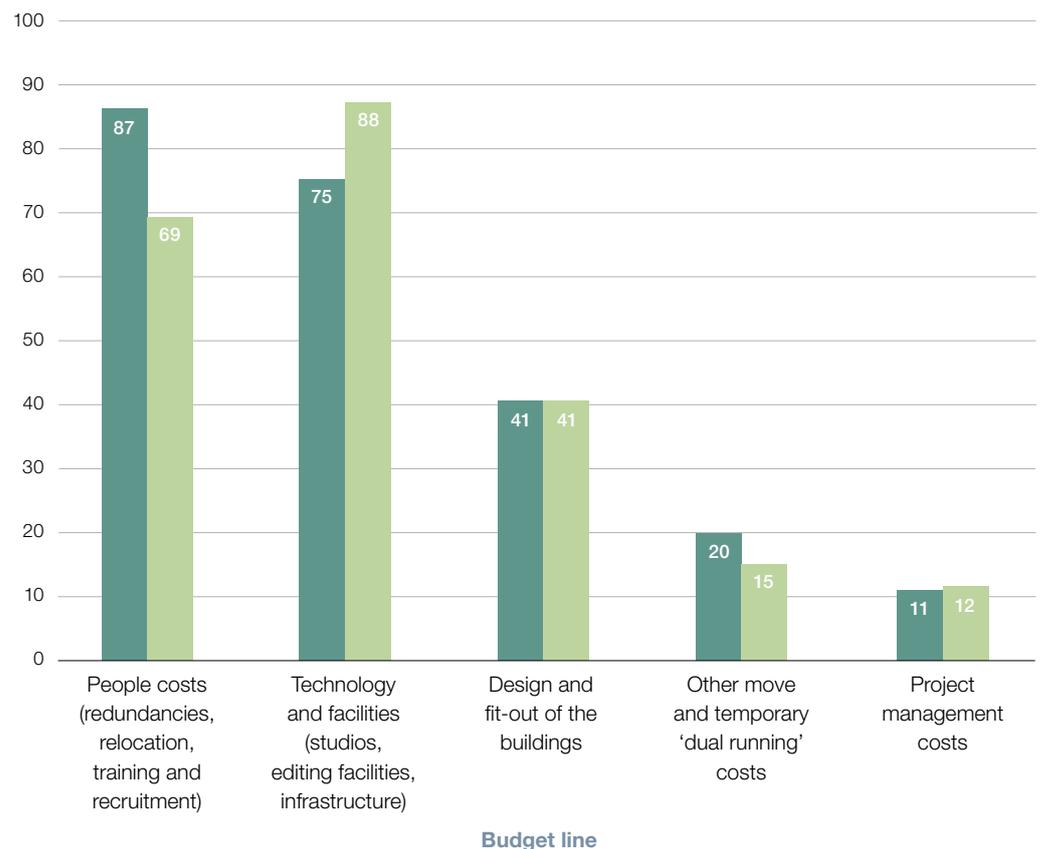
2.23 In February 2011, the BBC Trust approved a revised budget to complete the move phase of £233 million. We compared forecast costs against the revised budget because the original budget was based on limited information about how many people would move and how many would choose redundancy. The BBC estimates that the final cost to complete the move will be £224 million, which is £9 million below the revised budget (**Figure 9**).

Figure 9

Budgeted and forecast costs of completing the fit-out and moving people in as at December 2012

Forecast spend on people costs is less than budgeted, but spend on technology and facilities is higher

£ million



■ February 2011 budget including contingency

■ Forecast as at December 2012

NOTE

1 Sum of costs in the chart do not match totals given in paragraph 2.23 due to rounding.

Source: National Audit Office analysis of BBC data

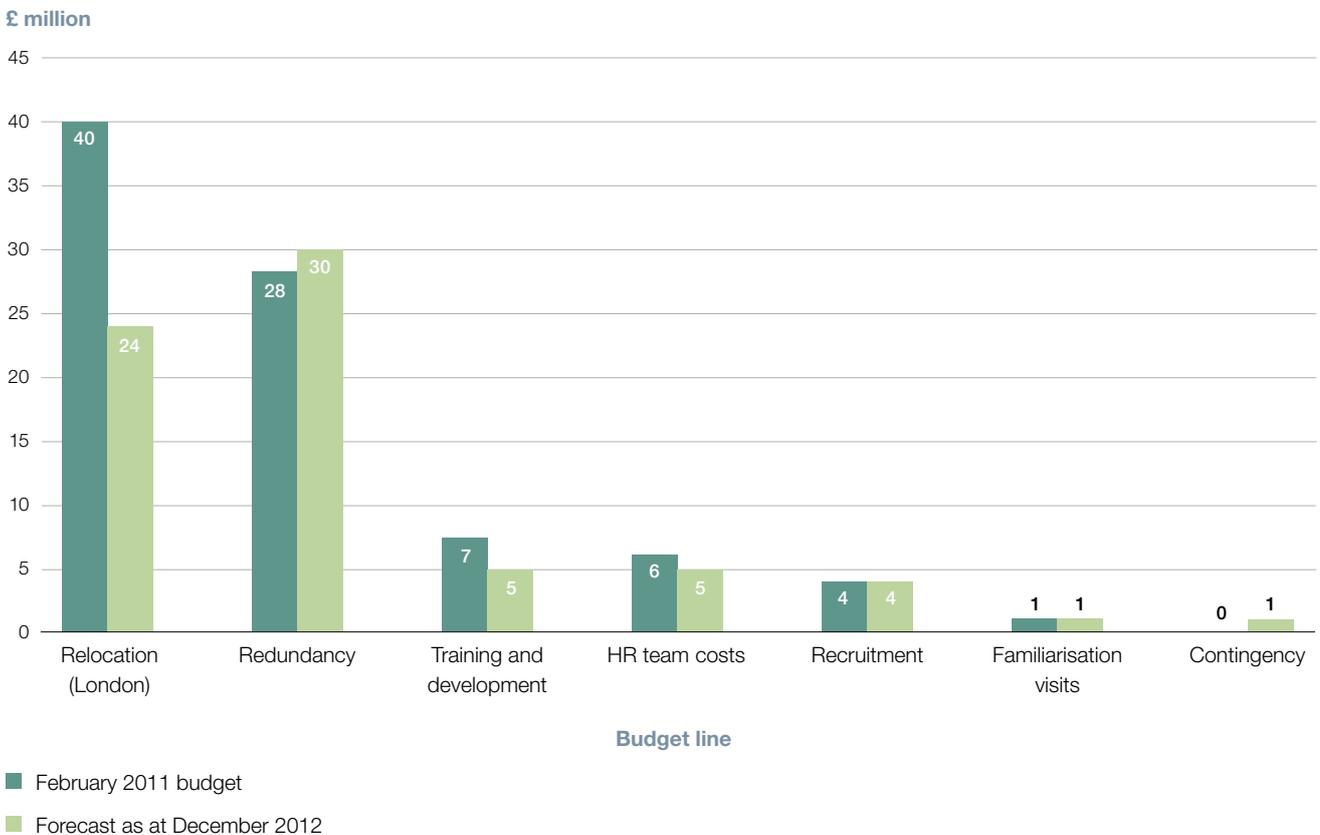
2.24 The most significant cost variance as at December 2012 was between the budgeted cost of £40.3 million and forecast cost of £24 million for relocation payments (**Figure 10**). This is owing largely to the difficulty of predicting which relocation option staff would choose and their individual circumstances rather than inherent weaknesses in the BBC's budgeting process.

Business continuity during the implementation phase

2.25 The BBC maintained broadcast continuity during the move to Salford. Delays installing digital editing technology did, however, result in some programmes being broadcast up to eight weeks later than planned. Some BBC staff in our focus groups had encountered other technology and workplace issues but had found workarounds for all of them. The BBC minimised the risks to broadcast continuity by establishing 'dual running' arrangements so that it could switch broadcasting to another site if there were any technical problems at Salford.

Figure 10
Budgeted and forecast people costs

The forecast cost of relocation payments is £16 million less than the budgeted cost



NOTE

1 Includes estimated future payments for allowances that are payable to employees for up to 24 months from the date of moving.

Part Three

Lifetime costs and benefits

Approving funding and budget for the project

3.1 In May 2007, the BBC Trust approved a lifetime budget for moving to Salford of £876 million in cash terms. This covered the cost of fitting-out the buildings, relocating staff from other parts of the BBC and operating the site up to 2030. In 2010, we reported that the BBC was forecasting to remain broadly in line with this budget.

3.2 In this part we examine:

- changes in the budgeted lifetime cost since our previous report;
- the plans the BBC has developed to measure and monitor benefits; and
- early performance against the benefits that the BBC expected the move would achieve.

Changes in budgeted lifetime costs

3.3 In February 2011, the BBC Trust approved an increase in the budgeted lifetime cost for the project in cash terms, from £876 million to £942 million. The increase was owing largely to the addition of £126 million following the BBC's decision in 2010 to establish a head office unit and other central services at Salford, a £63 million increase for additional technology and a £28 million increase in estimated utility costs. The combined impact of adding these costs and updating other estimates increased the total gross lifetime cost by £238 million to £1,114 million (**Figure 11** overleaf). The addition of these costs addressed a recommendation we made in our 2010 report for the BBC to ensure that all lifetime costs are included in business cases.⁷

⁷ Comptroller and Auditor General, *The BBC's management of three major estate projects*, National Audit Office, January 2010.

Figure 11

Changes in budgeted lifetime costs and savings between the May 2007 and February 2011 business cases

The BBC added new costs, revised some existing estimates and introduced new efficiency savings in its revised budget

	May 2007 (£m)	February 2011 (£m)	Increase (%)
Implementation costs	201	233	16
Workplace	389	417	7
Technology and Facilities	286	338	18
Head office and other central services	0	126	n/a
Gross cost	876	1,114	27
Efficiencies	0	(151)	n/a
Net Sale and Leaseback	0	(22)	n/a
Net cost	876	942	8

NOTES

- 1 All figures in cash terms.
- 2 February 2011 costs do not sum due to rounding.
- 3 Utility costs are included in 'Workplace'.
- 4 After updating its budget, the BBC decided that it would not sell and leaseback technology and so will not get any income.
- 5 The gross cost includes £208 million for studio and post-production for Sport, Children's and Vision. The BBC now considers that these costs would have been incurred irrespective of whether these activities had moved to Salford.

Source: National Audit Office analysis of BBC data

3.4 The BBC partly offset the cost increase by including planned efficiencies of £151 million to the revised budget, but it did not do supporting analysis to determine how it would achieve this target. When the BBC prepared its May 2007 budget, it did not quantify efficiencies that it expected to achieve through new ways of working on the grounds that further analysis was required. We found that although the BBC had subsequently assessed possible ways of achieving efficiencies, it calculated savings by taking the difference between the increased cost and available funding. The BBC did not provide a breakdown of this figure. We also found that the BBC executive had not provided the BBC Trust with any supporting evidence to show how these savings were calculated when the Trust approved the revised business case. The Committee of Public Accounts reported in 2012 that the BBC's estimates of efficiency savings across the BBC were not based on a proper analysis of costs.⁸ The Committee also emphasised the need to challenge costs more vigorously. The BBC has since reduced the budgeted cost of its head office unit and other central services by £45 million, including through reducing spend on events, travel and subsistence, consultants and legal advice.

⁸ HC Committee of Public Accounts, *The BBC's efficiency programme*, Seventy-third Report of Session 2010–2012, HC 1658, March 2012.

3.5 The BBC Trust approved the revised budget based on two main criteria. First, the move remained affordable despite the increased cost. Second, the combined estimated lifetime cost to 2030 of moving to Salford and consolidating the BBC's London estate had reduced from £1,428 million to £1,410, after discounting future cash flows to their present value (**Figure 12**). The BBC reduced the estimated cost of consolidating its London estate after deciding it would consolidate at Broadcasting House.

Additional savings

3.6 The costs in Figure 12 do not take into account reduced spend on the BBC's estate in London and Manchester as a result of the move. Another potential benefit of moving to Salford identified by the BBC, which was not included in the net present cost approved by the Trust, was reduced spend on London salary weightings. Staff relocating from London to Salford retained their London weightings on a 'mark-time' basis. This means they are not entitled to pay increases until their salaries fall within the BBC's out-of-London salary band. In May 2007, the BBC estimated that reduced spend on London salary weightings would save it £82.9 million, based on its estimate that 30 per cent of staff would relocate and assumptions about staff grades. The BBC has reduced this estimate to £46.7 million as the number of staff that chose to relocate was higher than it expected.

Figure 12

Changes in the combined cost of moving to Salford and consolidating the London estate

The Trust approved the February 2011 budget as the net present cost was lower than that approved in May 2007

	May 2007 (£m)	February 2011 (£m)
Cash cost of moving to Salford and operating the site to 2030	876	942
Discounted cost	497	573
Discounted cost of consolidating the London estate (which the move to Salford would enable)	931	837
Total discounted lifetime cost	1,428	1,410

NOTES

1 The discounted cost is the current value of a series of costs over time.

2 The BBC used a discount rate of 6 per cent.

Source: National Audit Office using BBC data

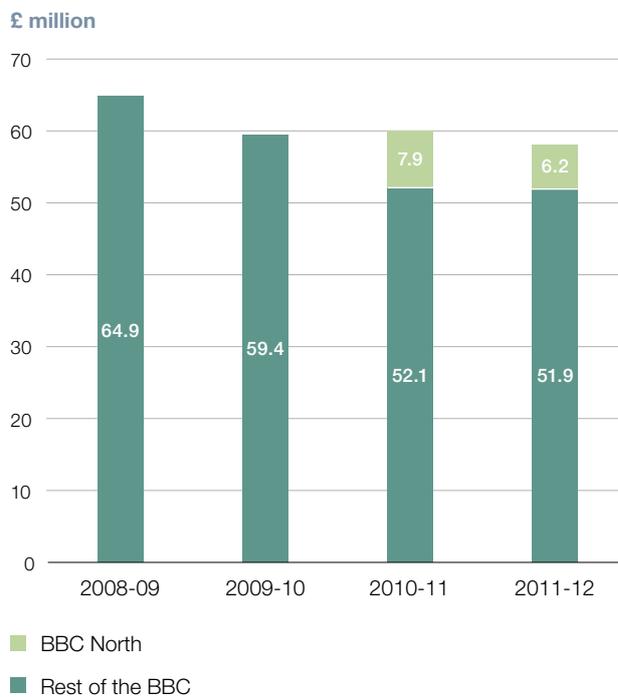
3.7 The move to Salford also allowed the BBC to generate income by selling its office at Oxford Road in Manchester. The downturn in the property market after 2007 meant that the BBC did not get the £19.6 million it had originally expected. The BBC revised its valuation in February 2011 to £11 million and in April 2011 agreed a sale price of £10.3 million. The BBC had also estimated that it would avoid running costs as a result of the move over the period to 2030 of £128 million by selling its Oxford Road office. However, the BBC corrected some inaccurate assumptions when it revised its budget, which reduced its estimate of the avoided cost by more than half, to £61.4 million.

Other costs not included in the business case

3.8 The departments based at Salford spent £6.2 million on hotels, taxis, flights, rail and hire cars in 2011-12 (**Figure 13**).⁹ This accounted for 11 per cent of the BBC's total annual spend on travel and subsistence, which has remained at approximately the same level since 2009-10.

Figure 13
Changes in total BBC spend on travel and subsistence

Total spend on travel and subsistence has fallen since 2008-09 and spend in BBC North fell between 2010-11 and 2011-12



Source: National Audit Office analysis of BBC data

⁹ This does not include the cost of travel and subsistence reimbursed through relocation allowances.

Benefits realisation

3.9 Against the moving out of London targets the BBC set out in 2004, for the period up to 2016 (paragraph 1.2), the BBC increased:

- the proportion of its public service staff outside of London to 52 per cent in 2011-12;
- expenditure outside of London to £1.65 billion in 2011-12; and
- the proportion of network television spend on regional productions to 41 per cent in 2011.

3.10 The BBC justified the move to Salford on the basis of specific benefits such as producing better and more representative programming, and addressing the 'approval gap', where audience figures and approval are higher in the south than in the north. The BBC also planned to deliver regional economic benefits and improve internal efficiency. After our recommendations, the BBC revisited its plans to measure benefits in 2010 and developed a framework to measure each of the four main objectives of the move (paragraph 1.3).

Addressing the approval gap

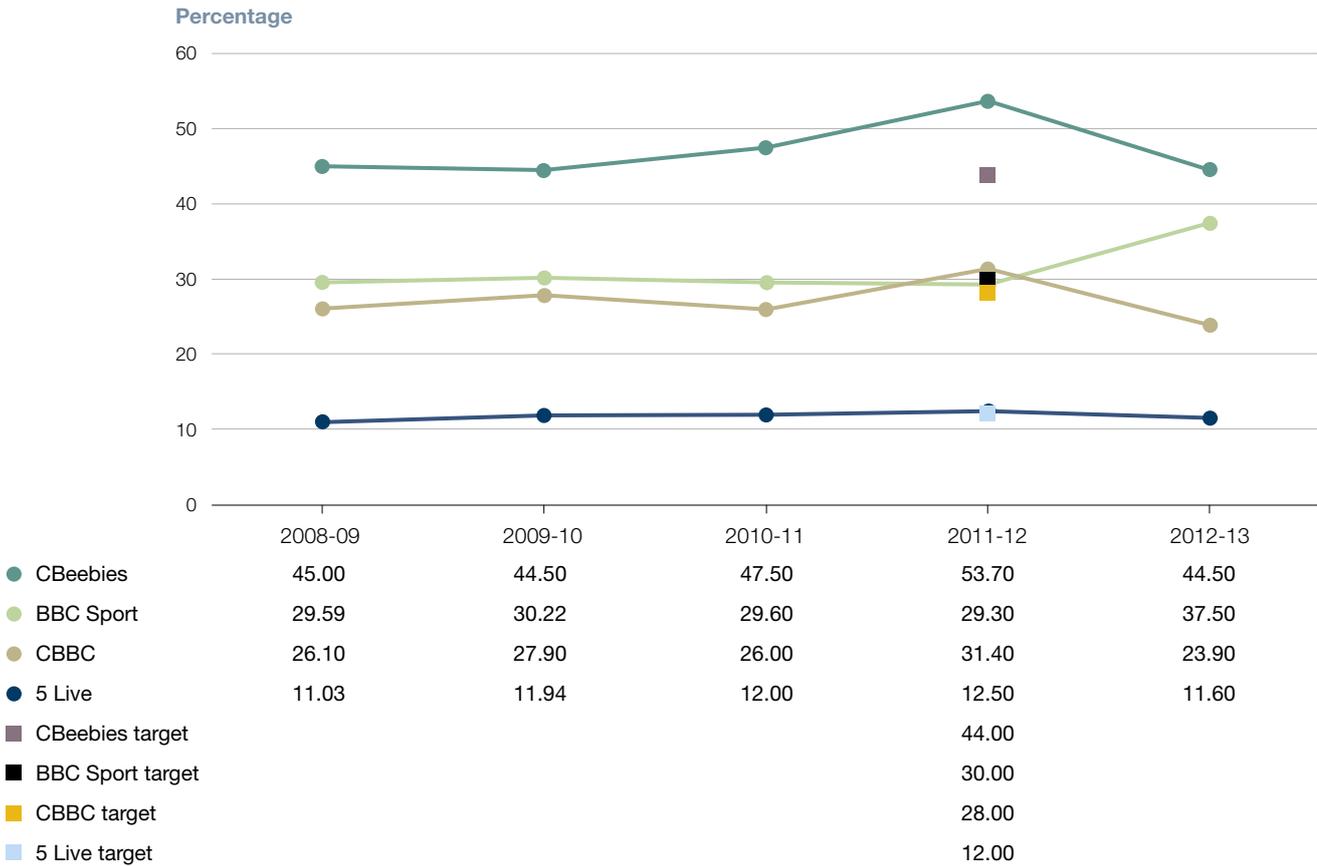
3.11 The BBC has established relevant performance indicators and set targets to reduce an 'approval gap' between audiences in the northern regions of England (the North West, North East, and Yorkshire and Lincolnshire) and the rest of England. The key measures of performance are audience approval and 'reach', which measures the number of viewers and listeners of BBC programming as a proportion of the population.

3.12 **Figure 14** overleaf shows the BBC's targets for reach among northern audiences in 2011-12. The BBC reported that it delivered three of its four targets to date (it missed the target for Sport). However, it is too early to assess the impact of the move on the 'approval gap' as short-term changes are not necessarily an outcome of the move. Reducing the 'approval gap' is a long-term aim and the direct impact of the move to Salford on audience approval will take time to take effect.

3.13 The BBC also set targets for the quality of the main areas of programming it moved to Salford. Since moving to Salford, it has changed the design of its measures in line with wider changes across the BBC. For example, 5 Live previously used a metric that measured the proportion of respondents in its audience surveys who would rate it as 'best for news and sport'. This has now been split into two separate metrics, one for news and one for sport. The changes mean that it is not possible to compare current performance on quality with the baseline set out in the BBC's business case, but the revised measures provide a clear basis for assessing future trends.

Figure 14
Reach among northern audiences of Children's, 5 Live and Sport

Although reach among northern audiences has changed, it is unlikely to be owing to the move to Salford



NOTE

1 2012-13 figures are based on data from April to September 2012.

Source: National Audit Office analysis of BBC data

Efficiency

3.14 The BBC stated in its revised business case that by using the new production technology and ways of working, BBC North would be the most cost-effective area of the BBC. Although the BBC did not prepare a detailed plan showing how it would make efficiency savings of £151 million over the period to 2030, it did establish some specific efficiency targets (Figure 15). The BBC met or exceeded most of its 2011-12 efficiency targets for reducing the cost of content and overheads, and in some cases has already exceeded its year-five targets. The BBC has not yet measured 'user hours per employee', which compares audience consumption of content produced by BBC North with the number of staff employed at the site, for year one. BBC North's operations group also monitors a series of other operational measures.

Figure 15

The BBC's efficiency measures, targets and performance to date

Measure	Description	Performance				Targets	
		Baseline 2009-10		Year one 2011-12		Year one 2011-12	Year five 2015-16
Cost (pence) per user hour	Cost of content produced (television, radio, media) divided by overall audience consumption of content	10.3		7.1		9.0	8.0
User hours (000's) per employee	Overall audience consumption of content divided by BBC headcount	5.2		Not measured		5.7	5.8
Overheads as a percentage of total costs		5 Live:	0.4	5 Live:	0.3	5 Live:	0.4
		Children's:	7.0	Children's:	3.7	Children's:	5.0
		Sport:	0.7	Sport:	1.9	Sport:	0.6

Source: National Audit Office using BBC data

3.15 During our site visits and focus groups, we saw examples of how the new office environment and technology have improved integration between teams and broadcast platforms. For example, BBC Sport was split across television, radio and internet when it was located in London, but in Salford all content production is carried out in the same place. Some 75 per cent of respondents to the BBC's survey of Salford staff considered they were working differently as a result of the move, with improved collaboration and more flexible working conditions.

3.16 The BBC needs to undertake further work to ensure that it makes more efficient use of studio space. The BBC committed to spending at least £5.7 million annually on studio space and equipment when it signed a contract with Peel Media Studios Ltd in 2007. However, in 2010 it signed a contract variation to secure additional services. This increased the BBC's minimum annual spend through the contract to between £5.9 million and £8.6million, or £82.8 million over the ten years of the contract. The variation also split minimum annual spend between different types of studio services, known as 'wet' (studio hire including all the equipment and staff needed to complete an individual programme), 'damp' (studio hire including a limited amount of equipment and staff), and 'post-production'. The BBC sought legal advice before signing the contract variation, which highlighted that splitting minimum spend between the three services would significantly reduce the flexibility of the contract as the BBC would not be able to overspend in one category of studio services to offset an underspend in another. The BBC concluded that it was necessary to agree to this to ensure that the contract provided the full range of services the BBC required while keeping it profitable for Peel Media Studios Ltd. The BBC estimated that if it met its minimum contractual commitments, total spend on studio services at Salford under the contact variation would be broadly the same as under the original contract.

3.17 As at September 2012, the BBC's spend of 'wet' studio services was 50 per cent above the contractual minimum. However, the £2.3 million it had spent on 'damp' studio space was 18 per cent below the minimum to that point of £2.8 million (**Figure 16**). The BBC can rollover annual underspends during the first three years of the contract. The BBC is considering how it can increase its use of studio space and eliminate the underspend.

Regional economic benefits

3.18 The BBC intends to establish a world class media talent pool in the region, strengthen independent northern production and bring economic benefits to the region, as measured by:

- total BBC spend in the region;
- the number of people working in the media sector in the region;
- BBC spend with northern independent production companies; and
- gross value added to the region, which is a way of measuring the economic impact on the region of the BBC's move to Salford.

3.19 The BBC set targets for each of these measures. The BBC's financial data shows that its direct spend in the north between April and December 2012 was £141 million, which was more than a third higher than the £104 million it spent in the previous financial year. The BBC estimates that this was equivalent to gross value added of £391 million. The BBC estimates that its move to Salford could create an additional 15,000 jobs in the region. BBC North has not been able to collect reliable data across all measures and so has revised its approach. In October 2012, the BBC contracted the consultants Atos to establish requirements for an economic impact assessment framework. Atos subsequently won a second contract to design and implement the framework.

3.20 The BBC is working with Salford University on programmes to develop digital media skills within the local workforce. In spring 2011, the BBC also launched an apprenticeship scheme for residents of Greater Manchester aged 16 or over who had left formal education but not gained A Levels or equivalent qualifications. Apprenticeships run for 12 to 18 months and combine college-based learning with full-time employment. During 2011-12, the BBC offered 22 apprenticeships against a target of 25. It also ran a Young Ambassadors scheme for 16- to 19-year-olds from Salford and Trafford. The scheme gives apprentices paid full- or part-time work in service delivery areas of the BBC and opportunities to gain Level 1 or Level 2 NVQ qualifications in customer service. The BBC offered 13 posts in 2011-12, against a target of 15.

3.21 The BBC also aims to achieve a diverse ethnic mix. The BBC met its diversity targets for ethnic minorities and employees with disabilities working at Salford during 2011-12, but may miss its 2012-13 target for staff with disabilities (**Figure 17**).

Figure 16

BBC spending on studio space to date and targets

The BBC has underspent on 'damp' studio space and overspent on 'wet' studio space

	Confirmed plus forecast spend (£m)	Minimum spend set out in contract (£m)	Difference (£m)	Variance (%)
Damp	2.3	2.8	(0.5)	(18)
Wet	5.1	3.4	1.7	50
Post-production	3.1	3.0	0.1	3

Source: National Audit Office analysis of BBC data

Figure 17

The BBC's performance against its diversity targets

The BBC met its targets for 2011-12 but may miss its target for staff with disabilities in 2012-13

	2011-12		2012-13	
	Target (%)	Actual (%)	Target (%)	Actual (%)
Ethnic minority staff at the Salford site	9.5	9.7 ●	9.7	9.7 ●
Disabled staff at the Salford site	3.8	3.8 ●	3.8	3.7 ●

● Target has been met

● Target may be missed

NOTE

1 2012-13 figures are based on data from April to September 2012.

Source: National Audit Office using BBC data

Appendix One

Our audit approach

1 Our audit approach is summarised in **Figure 18**. Our evidence base is described in Appendix Two.

Figure 18

Our audit approach

The objective of the BBC

The BBC's objective is to move decision-making and spending out of London and to close the 'approval gap' between northern and southern audiences.

How this will be achieved

The BBC moved a number of its departments to a new regional centre in Salford, in the north of England. The BBC intends that new ways of working, and new technologies will lead to improvements in quality, audience approval among northern audiences and efficiencies. It also expects to deliver economic benefits.

Our study

This review addresses the question of whether the BBC has managed its relocation to Salford cost-effectively and is on track to deliver value for money from its move north.

Our evaluative criteria

The BBC had a clear strategy in place underpinning its move from London to Salford.

The BBC completed its move to Salford on time and to budget and without an adverse impact on performance.

The BBC delivered the intended benefits of the move to date and has processes in place to evaluate future performance.

Our evidence base

(see Appendix Two for details)

- **Review** of business cases
- **Analysis** of the budget
- Staff **interviews**.

- **Analysis** of forecast expenditure
- **Review** of management of the move
- Staff **interviews**.

- **Analysis** of benefits data
- **Review** of processes for benefits realisation
- **Meeting** external stakeholders.

Our conclusions

The BBC relocated to Salford on time and maintained broadcast continuity. The latest estimates show that the final cost of the move phase should be below the revised budget of £233 million approved by the BBC Trust in February 2011. The BBC maintained skills and reduced redundancy costs by offering London-based staff relocation packages to encourage them to move. However, it did not apply sufficient rigour to managing relocation allowances, in particular recording exceptions to its standard relocation policy and may therefore have incurred some unnecessary costs.

Although the BBC has completed the transfer to Salford, it is too early to judge whether it will deliver value for money. This will depend on the BBC's ability to achieve a sustained improvement in audience approval in the north, embed new ways of working to achieve efficiencies of £151 million and provide sustainable economic benefits for the region. The BBC has developed an appropriate approach to measuring the future impacts of the move but has not yet set out clearly how it intends to make all of its planned efficiency savings.

Appendix Two

Our evidence base

1 Our independent conclusions were reached following our analysis of evidence conducted from October 2012 to January 2013. Our audit approach is outlined in Appendix One.

2 We assessed whether the BBC had a clear strategy in place underpinning its move from London to Salford:

- We **reviewed** the BBC initial business case for the move and its revised business case and associated papers to the executive board and the Trust.
- We **reviewed** the BBC's processes for setting relocation packages for staff including external advice it received from Governetz.
- We **analysed** the budget set out in the business cases and the movements between them.
- We carried out semi-structured **interviews** with key BBC staff involved with developing the business case.

3 We assessed whether the BBC had delivered the move on time and to budget and without an adverse impact on output:

- We **analysed** the BBC's actual and forecast expenditure for the move and compared it with the budget in the revised business case.
- We **analysed** the BBC's tracking of expenditure on relocation packages to staff.
- We **reviewed** the processes and governance the BBC had in place for managing the project against good practice.
- We carried out semi-structured **interviews** with key BBC staff involved with managing the move.
- We held **focus groups** with approximately 30 BBC staff to hear their opinions on how the move was managed.
- We **reviewed** a sample of relocation payments.

4 We assessed whether the BBC has delivered the intended benefits of the move to date and has processes in place to evaluate future performance:

- We **analysed** audience and financial data to determine whether the BBC had delivered the benefits it expected so far as set out in the revised business case.
- We **reviewed** the processes the BBC has in place for measuring, monitoring and delivering the benefits set out in the revised business case.
- We **met** with external stakeholders to obtain their views on the impact of the move on the region.
- We held **focus groups** with approximately 30 BBC staff to obtain their views on how the BBC is working in Salford.