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BBC People: human resources operations

PricewaterhouseCoopers LLP review presented to the BBC Governors' Audit Committee, March 2005, and a response to the review from the BBC

BBC People: human resources operations



BBC response to the PricewaterhouseCoopers LLP Value for Money study

This study by PricewaterhouseCoopers LLP (PwC) is part of a programme of reviews assessing value for money across the BBC. A key constituent of the overall programme is the appointment of external agencies to undertake reviews of certain topics, as selected by the BBC Governors' Audit Committee. This study examines whether the BBC's human resources (HR) operation, BBC People, is achieving best value for licence fee payers.

PwC carried out the fieldwork for this study between November 2004 and January 2005. Publication of the study was delayed following advice given to the Board of Governors that publication could be prejudicial whilst the BBC was undertaking a competitive process for selecting an outsourced HR provider. That process is now complete and Capita has been selected as the preferred supplier.

The review considered the BBC's HR functions and training services, assessed the extent to which they meet the needs of the BBC and deliver value for money, and identified a range of potential future options and recommendations. The review has validated many of the findings from BBC management's own review of HR functions and training services.

PwC's study has provided the Board of Governors with valuable advice on further developing and refining the BBC's current service provision. We accept the report's conclusions and recommendations and have already approved a range of initiatives that will improve service delivery and provide substantial savings for licence fee payers.

The Board has considered and endorsed management's proposals to address the report's recommendations. The attached response by BBC management broadly outlines the plans for the next phase of transformational change. These include streamlining the service further and responding to the changing requirements of the BBC's structure and activities.

While the implementation of this change programme is the responsibility of the Director-General and his management team, we will continue to assess the delivery of the proposed changes through our regular monitoring of value-for-money reforms.

**Board of Governors
March 2006**

BBC People: human resources operations



BBC management response to the report's key findings

The BBC welcomes PwC's recognition of the progress made in improving its service, achieving cost reductions, and reorganising the human resources (HR) and training and development delivery model. The report highlights that BBC People has actively taken steps to automate and improve administrative processes, including the adoption of clear communication processes and consistent recruitment and selection services.

The BBC accepts the four key findings of the review and, as stated below, is taking active steps to address them and improve the services provided. The key findings are:

- headcount and costs remain high
- the delivery model is still overly complex
- the overall scope of the service would benefit from greater clarity with more consistent measurements, and
- line manager accountability for people management in the organisation needs greater consistency

PwC has also recognised that BBC People has received numerous industry awards for its services and is a model of leading professional practice in many areas and products, and that recent surveys suggest that the quality of the service is appreciated by customers. For example, in Recruitment and HR Operations, 75% of customers rated the service as good or very good, and in Training and Development, 86% of training delegates said that the training received was appropriate to their needs.

Continuing to improve the BBC's HR function

The BBC's HR operations have undergone considerable change since 2001 to improve the delivery of HR and training and people development services.

Historically, the delivery of HR and training and development services had been widely distributed across the BBC and a wide variety of approaches had been employed to support people management. As PwC recognised, the current model was designed to create an efficient, centralised administration function, while retaining a professional support service for line managers through divisionally focused HR teams. The new model was therefore a radical departure from the previous mixed model of delivery, and these changes released £19million of ongoing savings for the BBC.

The changes, including cost reductions and service improvements, established a strong platform on which to develop the HR function further. This development was incorporated into the BBC's overall restructuring programme in December 2004. The report by PwC, which was carried out during these internal BBC efficiency reviews, confirms the need for further work to be undertaken in order to improve the service.

Plans have been developed for the next phase of transformational change and are now being implemented. Overall, the latest plans for change will see: a further streamlined service, driving change and improvements in business performance across the BBC at corporate and divisional levels; innovative strategic thinking and leadership on the BBC's major people issues; a strong focus on continuous improvement and efficient delivery of transactional activity; a new relationship with the business focused on adding value; the organisation's capability being challenged and developed to meet audience needs of tomorrow.

Responding to the report's recommendations and conclusions

PwC has made valuable observations and recommendations within the report which the BBC is actively taking steps to address.

Since the report, the BBC has selected Capita as its preferred supplier for a 10-year contract to provide HR Services. Around 260 jobs will be transferring to Capita when the contract begins on 1st April, and the BBC expects to save over £50m over the life of the contract.

Specifically, the BBC would like to highlight the following:

Headcount and costs are being significantly reduced

PwC identified that there is potential to further improve the quality of services offered and reduce costs and headcount. At the time of PwC's fieldwork in January 2005, there were 960 staff in BBC People. PwC has estimated that the new service delivery model will require 420 staff, a reduction of 540 staff and associated costs of £18million per annum.

In line with PwC's analysis and as part of BBC-wide changes, BBC People's contribution is a planned reduction in staff costs by circa 25% and a reduction in headcount by circa 50%, including outsourcing elements of its service to Capita. Change plans are in place and being implemented, and BBC People is making good progress towards the savings targets. The changes will radically alter the size and shape of the function at the same time as BBC People is working to maintain the levels of satisfaction with the service from its internal and external customers. While BBC People recognises that headcount and costs are comparatively high, in benchmarking its services account

needs to be taken of employee mix (many employees are contracted on a short-term basis only for short runs of programmes), culture and churn. All of this creates a degree of complexity and volume for BBC People services that is not as prevalent in organisations used in the benchmarking exercise.

2 *The service is being simplified for its customers*

In the major restructure of 2001, BBC People introduced a significant number of specialist roles. These were intended to recognise specific organisational weaknesses, including internal communications, development focus in the divisions, strategic development planning, and issues around the diversity of the workforce. The introduction of these specialists has heightened the awareness of the importance of the issues, embedded them within the regular practices of the business and helped move the organisation forward. However, BBC People has recognised that the need for this specialist input has now reduced. The new model developed reduces the number of specialists in the field considerably, and therefore also the required number of contact points for managers, while safeguarding functional centres of excellence. The progress that PwC identified in process simplification remains an ongoing priority for the division and further development of e-services continues.

3 *BBC People is providing greater clarity on the overall scope of the service and implementing a more consistent process of measurement*

BBC People recognises the strong identities of each of its functions and the consequent inherent difficulties in co-ordination of its services. The new simplified model establishes the need for greater synergies and

communication across BBC People to deliver the best service to customers. The aim is to centralise performance monitoring with clearer service delivery objectives and accountability to ensure a tighter focus on measurement of BBC People and its objectives.

As identified in the PwC report, BBC People has already begun a programme of prioritising and managing project activity. This will ensure a more consistent approach to initiating, monitoring, progress tracking and benefits realisation. In addition, the new model for delivery will formalise project commissioning even further.

BBC People will be continuing with its recent introduction of a more systematic approach to training and development evaluation. Its early focus has been on the major training programmes, for example the Leadership Programme, and the plan is to roll this approach out across all training and development activity.

4 *BBC People is implementing a programme to support greater consistency in line manager accountability for people management in the organisation*

There is a wide variation in line manager capability. Historically, BBC People has filled the gap where there have been line manager capability issues, blurring the lines of accountability. The significant reduction in the costs and headcount of BBC People will require a corresponding reappraisal of the role of the line manager, with more explicit requirements in accountability for all people issues. This reappraisal will create greater clarity about what the BBC expects of its line managers, with greater consistency across the organisation.

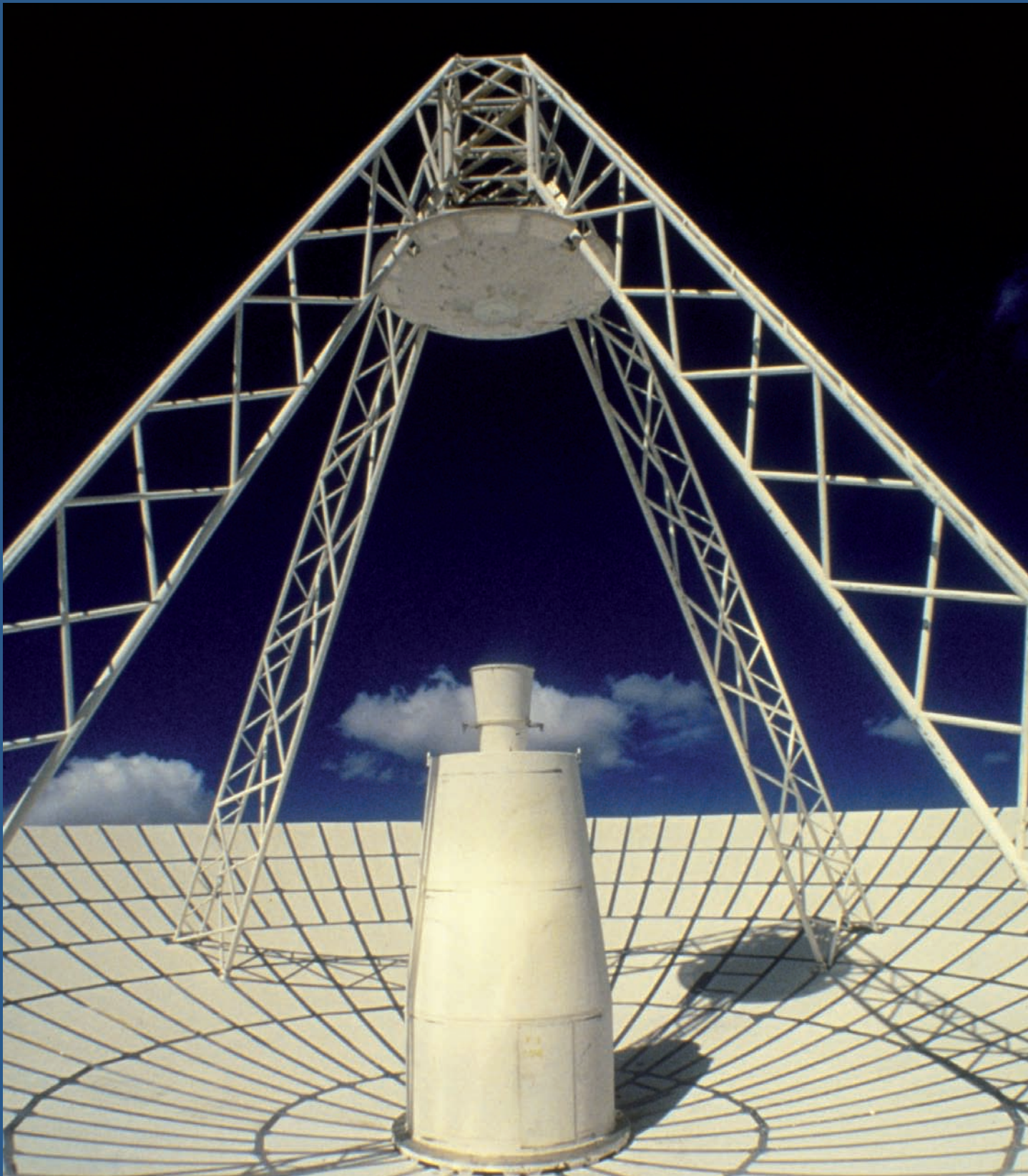
In order to enable this change, BBC People will provide a variety of support focused on developing managers to take on these responsibilities (including coaching and targeted training). The continuous evaluation of the Leadership Programme is identifying opportunities to increase the development of day-to-day management tools which can be used by managers throughout the organisation. BBC People will also set clear boundaries with its employees as to where responsibility lies for people and people-related activity. Plans are also in place for a new funding model for training and development that will allow greater organisational focus on strategic activity that will take the BBC forwards in the digital age.

As part of the employee relations strategy, BBC People will continue to review the processes that managers find most complex, with a view to making them as simple as legislation and the real requirements of BBC policy will allow.

March 2006

Review of BBC People

PricewaterhouseCoopers LLP review presented to the
BBC Governors' Audit Committee, March 2005



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1 Preface

Preface

This report is one of a series of reviews that assess value for money across the British Broadcasting Corporation (BBC). The programme of reviews was selected by the BBC Governors' Audit Committee.

This report was prepared by PricewaterhouseCoopers LLP ("PwC") for the Governors of the BBC. In the report we examine whether the BBC's human resource operations (BBC People) are achieving best value for Licence Fee payers.

This report has been prepared for and only for the BBC in accordance with the terms of our engagement letter, dated 1 November 2004, and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We have not carried out an audit of the BBC's financial statements. Our work has been based primarily on internal management information provided by the BBC, which we have not verified or corroborated.

1 Summary and conclusion

Introduction

The BBC has commissioned a Value for Money (VFM) review of the BBC People Division. The review is set within the context of the BBC's commitment to excellence and aims to identify further improvements without undermining the existing scope and quality of service.

Ensuring value for money is a core responsibility of the BBC Governors as stated in the Royal Charter. For the BBC, addressing this means delivering services:

- to clear standards (quality output);
- by the most effective, economic and efficient means available (cost effective); and
- with continuous improvement in the way in which functions are exercised (service enhancement).

BBC People refers to the BBC's overall HR, Training and Development function, which encompasses a range of people-related services that are described in detail in this report.

Throughout this document we refer to the Training and Development function within BBC People as People Development (PD). We have reviewed the BBC's HR, Training and Development services, assessed the extent to which they meet the needs of the Corporation and deliver value for money and identified a range of potential options and recommendations for the future.

Context

BBC People was set up in its current form in 2001 as part of a programme of continuous improvement in the delivery of HR, Training and Development services. Historically, such services had been widely distributed across the BBC and a variety of approaches had been employed to support people management. The current model was engineered to create an efficient, centralised administration function, while retaining a professional support service for line managers through divisionally focused HR teams. It included specialist functions to deliver deep expertise and to support pan-BBC and divisional development programmes. The model also provided a fuller understanding of the BBC's overall spend on training and development. Systems and processes were set in place to establish demand and manage supply.

BBC People supports both internal and external customers. Internal customers include applicants, staff and managers (including Freelances) across all BBC divisions. External customers include applicants, pensioners, and participants on BBC People Development training courses.

A number of factors drive demand for support for people management and development. The BBC is a knowledge-based organisation and an industry leader working in a competitive environment for skills. As such, recruiting, retaining and developing staff is important and likely to place relatively high demand on management and professional support. This demand is likely to be amplified by a number of other factors within the Corporation, particularly:

- variations in capability and confidence among the line manager population, impacting on the degree of professional support required. In addition in certain parts of the business, programme makers bought in on a freelance basis find themselves with line management responsibility for the duration of a programme;
- policy complexity, driving the levels of management, professional and administration effort required;
- high volume of transactional activity driven by numbers of recruits to the BBC (many of which are short term) plus high numbers of internal movements and a complex contractual mix (including 11,500 freelance, 7,000 casual staff and 4,230 fixed-term contracts);
- demands of the modernisation agenda, adding change and project management burdens to the day-to-day operational load; and
- the public profile of the BBC and perceptions of a need to set high standards in terms of employment practice.

1 Summary and conclusion

The restructuring programme announced by the BBC in December 2004, following internal Value for Money reviews, will create additional demand for support from BBC People to plan and implement changes.

As part of its commitment to continuous improvement, BBC People has already released £19m of ongoing savings for the BBC. Below are some examples of where progress has been made.

- Developing and delivering high quality products, services and processes. Between 2002 and 2004 BBC People won a number of external awards, including:
 - HR Excellence Award for 'Best Transformation of HR using IT', 2002;
 - Diversity in Employment Champion Award for the Extend Scheme at the 2002 British Diversity Awards;
 - IPR Excellence Award for Internal Communication, 2003;
 - Blended Solution of the Year Award for Leadership Programme at World Of Learning Awards in 2004;
 - Institute of IT Training Awards 2005 as 'Internal Training Project of the Year' (Hot House); and
 - Gateway named as UK number one Intranet by the Intranet Benchmarking Forum in 2004.
- Further developing an understanding of divisional requirements by providing experienced practitioners at the Divisional board level;
- Providing a responsive and supportive service to customers, including the provision of specialist strategic and process-specific support in some areas: for example, recruitment. This includes the simplification of processes;
- Actively encouraging a culture of innovation and continuous improvement, which has led in some instances to cost reduction; and
- Creating an environment within BBC People characterised by high employee engagement and a broad range of opportunity for personal and professional development.

BBC People is already taking action to improve the efficiency of the division and progress has been made, including planning improvement to services and reductions in overall costs. Recent developments include the function's own proposals, submitted as part of the Corporation's overall restructuring announcements in December 2004.

Our findings confirm the need for further improvement work to be carried out. They are outlined in more detail below.

Findings

This section summarises four key findings of the review:

- Although progress has been made, both headcount and costs remain high compared with other organisations.
- Improvements have been made to the BBC People service delivery model, but it remains overly complex.
- Services are clearly defined and measured in some parts of BBC People, but there is a lack of clarity about the overall scope of service.
- Line manager accountability for people management is understood for certain processes, but there is inconsistency between Divisions.

1 Summary and conclusion

Although progress has been made, both headcount and costs remain high, compared with other organisations.

BBC People has already released £19m of ongoing savings for the BBC. Despite this, the function has potential for further reduction in headcount and cost.

Headcount is high - We benchmarked HR and training and development headcount and cost against samples of organisations from both the public and private sectors. The ratio of HR headcount (Equivalent Full Time, EFT) to overall employee EFT is 1:59. The training headcount ratio is 1:88. The position relative to the median for other organisations is shown in the following tables.

HR EFT per BBC EFT				
	BBC	Lower quartile	Median	Upper quartile
Private sector	1:59	1:65	1:73	1:94
Public sector		1:54	1:78	1:102

Training EFT per BBC EFT				
	BBC	Lower quartile	Median	Upper quartile
Private sector	1:88	1:83	1:128	1:182
Public sector		1:69	1:96	1:239

Comparison in the BBC context requires particular attention in the area of freelance and casual employees, due to the large proportion of freelance (11,500 contracts) and casual (7,000 contracts) effort across the BBC relative to other organisations. The benchmarking figures include an adjustment to the overall employee EFT to account for this, based on the actual levels of support BBC People is providing for the Corporation's freelance community, as identified during our activity analysis.

Cost is high - The BBC People HR cost per BBC EFT is £1,075 including Freelances. See table.

Cost of HR per BBC EFT				
	BBC	Lower quartile	Median	Upper quartile
Private sector	£1,075	£420	£930	£1,746
Public sector		£338	£542	£585

Outsourcing services may reduce costs - As an additional measure of the potential for cost reduction, we carried out a confidential market test with a sample of leading providers of outsourced HR services. The providers responded to a letter confirming their level of interest in providing the specified services. Their responses were subject to receiving further detailed information regarding people, processes, technology and location. The majority of providers indicated potential annual cost reductions in the range of 30% against the range of HR services specified in the letter. Identifying a suitable provider requires more detailed examination (including, for example, detailed costs, quality, service scope and contractual considerations).

The cost savings identified include salary, tax and benefits and include an allocation for other overheads including property and technology.

1 Summary and conclusion

Improvements have been made to the BBC People service delivery model, but it remains overly complex.

During the last three years, BBC People has improved its service and achieved cost reductions by reorganising the HR service delivery model, including centralising London-based administrative activities for Recruitment and HR Operations. However, significant levels of administrative activity remain outside the centralised team. Several opportunities exist to consolidate this activity, including a drive towards a common model.

Customers value the service - Internal customer feedback on service delivery is good in many respects and highlights the importance of good HR support to the business. The feedback also highlights some areas for improvement. For example, although the service provided by Recruitment and HR Operations was rated as 'good' or 'very good' by 75% of the managers questioned, 22% of the sample rated the service as 'poor' or 'very poor'.

Customers do not fully understand the BBC People division - There is a general lack of clarity about the service offering of certain BBC People functions. More than 70% of line managers interviewed stated that they were unclear as to the purpose and scope of some of BBC People's specialist functions and roles.

Customers have too many contact points - The factors above create multiple contact points for customers. The service delivery model was set up three years ago to provide a centralised point of contact for managers and staff for routine Recruitment and HR Operations matters. Clear, consistently used points of contact are important factors for success in such a model. In practice, within the Division-facing HR team, a line manager might have as many as ten different points of contact with BBC People.

Processes are complex - Whilst progress has been made in recent years to automate and improve the administrative aspects of HR and Recruitment processes, several BBC People processes remain overly complex, for example the training and development demand management processes and the sickness absence process.

Services are clearly defined and measured in some parts of BBC People, but there is a lack of clarity about the overall scope of service.

Certain BBC People services are well defined - for example, Recruitment and Selection - with processes clearly communicated and consistently adopted across many parts of the Corporation. There is evidence that measurement against service standards is in place in parts of BBC People, for example in Recruitment and HR Operations and People Development.

BBC People is structured along functional lines and each function has a strong identity - this focus can make the co-ordination of BBC People services and the overall co-ordination and measurement of BBC People progress against objectives challenging.

There remains room for improvement in all areas of service definition and measurement.

Not all projects are monitored effectively - There have been recent efforts to develop more systematic control of projects and standardise methodologies; however, there remains a lack of accountability for projects within BBC People. Arrangements are in place to audit the type and number of projects currently in progress within BBC People, but there is little systematic control and monitoring of such activities across BBC People in terms of project priorities, volumes, scope, purpose and progress. Further, there is little evidence that clear benefits realisation plans are in place for projects.

The link between functional objectives and BBC People objectives is not always apparent - Scope of service is not always clear to customers and the extent to which delivery standards are set is varied. There are written objectives for BBC People and its individual functions have objectives, but the link between them is not always apparent. This contributes to a lack of clarity on overall scope of service.

1 Summary and conclusion

Training and development evaluation is not always linked to business outcomes - Many areas do not set service standards or measure performance. Where there are service standards, they are not always tracked, measured and reported. For example, although training and development evaluation has recently started to examine the longer-term impact of training and development activity, evaluation has traditionally been carried out by end-of-course review, without a consistent approach to evaluating the effect on individuals' skills development or business impact across the full range of PD services.

Measurement of training and development demand is not effectively linked to course schedules or staff development plans - Demand planning for the PD function has improved, but there remains room for improvement. The link between the divisional demand plans and actual courses scheduled by PD is not explicit. Without such data, the value of the demand planning process is diminished. In 2003-2004, 32% of scheduled PD courses were cancelled. There is some evidence that this will reduce in 2004-2005.

Overall, people do not take responsibility for their own development. There is low take-up of formal personal development planning. Despite the range of training and development opportunities on offer, up to 75% of staff in some areas reported having no formal, written personal development plan in 2004.

Line manager accountability for people management is understood for certain processes, but there is inconsistency between Divisions.

In interviews, line managers emphasised - as they do in the Corporation's own surveys - the importance of divisional HR support to the business (for example, general HR advice on employment, specific staff management issues and in change and restructuring).

Responsibility for people management is not always clear - Across the BBC, there is variation in line managers' roles and responsibilities for people management. This causes variation in the level of support provided by BBC People and creates a difficult environment in which to sustain a consistent service delivery model.

Line managers want access to expert advice -

Feedback collected from line manager focus groups and interviews indicates a demand for more autonomy for people management activities, supported by clear guidelines and with access to HR experts, able to provide specific advice on demand, or to validate the people management decisions taken.

Processes are complex - Line managers also indicate that many HR processes and policies are complex, inflexible and time-consuming. There is a need, and BBC People responsibility, to ensure that processes are compliant and consistent with the BBC's values.

Line managers want to be fully equipped for the management task - Most line managers who attended the workshops requested more tools to enable them to become better at tactical management. Some interviewees note that developing management skills is likely to become more important over time, in the context of progressive devolution of responsibility for management and reductions in the level of professional support services available.

Recommendations

The following recommendations are made, based on the findings of our review and are based on a number of key design principles and customer requirements.

- Fewer and clearer points of contact for line managers and staff.
- Ability to provide expert advice on demand to both line managers and staff.
- Greater understanding of - and the ability to prioritise - divisional requirements and projects.
- Proactive identification of people issues and development of appropriate solutions.
- Delivery of high-quality administration and query handling.
- Flexible and efficient processes with clear guidelines for line managers, clearly identifying responsibility.
- Grouping common HR activities and services so they are integrated and delivered via the most appropriate means.

1 Summary and conclusion

The recommendations describe a combination of improvements to internal organisation and process, and the external provision of some services. If these recommendations are implemented, they would reduce the cost of BBC People staff by approximately £18m pa, from approximately £58m pa to approximately £40m pa. Redundancy of 190 staff would deliver £13m and outsourcing represents a further £5m reduction. BBC People staff would be reduced by 540, from approximately 960 to 420 (excluding out of scope areas and vacancies). To be effective, this will require a change in the roles, responsibilities and skills of line managers.

Note

These figures are estimates only. The data have not been audited and are dependant on a number of factors, including, but not limited to BBC acceptance and implementation of the recommendations, agreement on the scope of outsourcing, detailed contract specification and negotiation and acceptance of a reduced scope of service. Transition and redundancy costs would also need to be included in the overall business case. This review has not commented on the out of scope areas or approximately £24m per annum of additional policy related and pass-through costs in the BBC People budget. The cost reduction information should not be relied on for the purpose of budgeting.

The costs are based on base salaries and additional costs, for example, salary, bonus, pension, property, IT, healthcare, expenses etc. The costs were provided per function by the BBC.

Organisation and processes

The existing HR model should be simplified to reflect the key principles and customer requirements described. Simplifying the model will provide opportunities for cost reduction and service improvement.

Key elements of our recommended design are:

- Strengthening divisional HR teams to meet customer requirements for more focused, dedicated, general HR support; making an expert advisory service available to customers on-demand.
- Centralising delivery of HR and Training administration services, and handling queries from managers and staff. This should include centralising the remaining distributed administration activity, standardising the processes and ensuring best use of technology support. It would also require clarity of responsibility between centralised delivery, divisional HR, centres of excellence, line managers and staff. This central function might potentially be delivered via an external supplier.
- Establishing a small centre of excellence to provide subject matter expertise and thought leadership to BBC People and its customers on core HR services, including: Compensation and Benefits; Employee Relations; Diversity; Resourcing; Training and Development; and Internal Communications.
- Most effective sourcing of some non-administrative HR services, i.e. use outsourcing where business needs can be met more cost-effectively. External supply might be considered for services including non-craft training, Occupational Health Services and Payroll (already outsourced to an external provider).
- Ensuring operations support provides a central service to BBC People and divisional HR, including provision of management information, technology services, centrally co-ordinated finance and budgeting support and a supplier management team focused on development and maintenance of arrangements with third-party providers, including outsourced providers.
- Making other delivery services available to all Divisions accessed by customers via their divisional HR team. Such services could include specialist training, design and delivery, project management and consultancy support for pan-BBC or divisional projects.
- Establishing a small Direction team focused on developing and delivering the overall BBC People strategy.

1 Summary and conclusion

External supply of services

We recommend that the BBC examines outsourcing of parts of BBC People. Our initial market test suggests that a range of suppliers of outsourced HR services would bid for a formal tender, if one were issued. Next steps should include preparing a full definition of requirements, including: scoping; detailed design; risk assessment; controls and expected degrees of freedom for the contractor; service levels; penalties and gainshare arrangements; location; and approach to transfers and transferred employees. This would create the basis for evaluation, the structure of any arrangements and the development of the tender process and documentation.

A key outcome would be a detailed project plan and timings for subsequent phases.

The outsourced HR providers approached in the market test would typically provide general skills and IT training, together with some specialist capability, such as Health and Safety. This should be included within the scope of any HR outsourcing tender.

In terms of more complex broadcast training and development, we suggest that the BBC continues its exploration of other options, including industry partnerships within the UK. This will require clarity on the internal demand and supply model (for example the mix of delivery in Divisions from BBC Resources and external supply).

A feasibility study for broadcast training and development should be instigated to consider the market, criteria, potential models, risks and partnership arrangements. It would also evaluate the financial and strategic costs and benefits over a three-year period.

Service standards and measurement

In the context of the new service delivery model, we recommend that BBC People develops an integrated set of service standards that are developed and agreed with internal customers, based on quality and efficiency targets that are customer focused, measured or tracked over time, and benchmarked against appropriate external comparisons. In terms of project-based work, we recommend that BBC People establish a clear process for prioritising, monitoring and control of projects. We also suggest that more emphasis is placed on developing robust benefit realisation plans.

Role of the line manager

The recommended service delivery model will require line managers to play an enhanced role as ownership of appropriate people issues is devolved into the line.

Pre-requisites for success in this process include:

- skills development. For example, ensuring line managers are equipped to manage day-to-day operational HR issues;
- explicitly defining, agreeing and communicating the responsibilities of line managers and of BBC People within each process;
- clarity on the service that HR will provide, as well as efforts to ensure that this is consistent for all BBC managers and staff; and
- continued progress on simplifying policy where this can be achieved without compromising BBC values or legislative compliance.

Potential for staff and cost reduction

Based on the evidence, there is potential to further improve the quality of services offered and reduce costs and headcount. We outline the potential cost and headcount reduction as follows.

There are 960 staff within BBC People. The associated costs, including salaries, benefits, property, IT etc., are £58m pa, excluding out of scope functions and vacancies. There are additional policy related and pass-through costs of approximately £24m.

The service delivery model recommended in this review requires approximately 420 staff, with costs of approximately £27m pa. These staff will provide divisional based HR support, specialist HR advice (for example, compensation and benefits, employee relations) and shared services including complex query handling, management information, consultancy and broadcast training and development delivery etc.

1 Summary and conclusion

Of the remaining 540 staff and £31m of cost, our review identifies 350 staff and £18m of cost which could potentially be outsourced. This can be achieved primarily in recruitment and training administration and assessment services, simple query handling and technology support. The majority of outsourced providers indicated a cost reduction of approximately 30%. Using this as a working assumption, the £18m cost associated with the 350 staff would be reduced by approximately £5m pa.

The outsource providers previously indicated they would consider taking on more than 350 staff, for example, specialist broadcast training, learning and development consulting and safety advice. We recommend that the providers' track record of delivering these more complex HR services to quality standards required by the BBC be assessed during a competitive tendering process and other models for specialist broadcast training be considered.

The remaining 190 staff would be redundant, due to the implementation of a new service delivery model. The model would deliver HR services focused on divisional requirements, improvements in efficiency and reduced duplication. This would reduce costs by approximately £13m pa.

If implemented, these recommendations would reduce the cost of BBC People staff by approximately £18m pa, from approximately £58m pa to approximately £40m pa. BBC People staff would be reduced by 540, from approximately 960 to 420 (excluding out of scope areas and vacancies).

We expect that these changes would be implemented over a period of approximately three years, with benefits phased in over that time. These recommendations should be considered by the BBC and subject to detailed scoping, planning and business case development.

The costs were provided per function by the BBC.

We recommend that the BBC develops a clear, overarching vision for the service, a single integrated model and a common approach to planning and implementation.

2 Introduction and background

Background for this Value for Money review

Ensuring value for money is a core responsibility of the BBC Governors as stated in the Royal Charter. For the BBC, addressing this means delivering services:

- to clear standards (quality output);
- by the most effective, economic and efficient means available (cost effective); and
- with continuous improvement in the way in which functions are exercised (service enhancement).

In the context of the Communications Act 2003, the Government and the BBC agreed a development in the BBC Governors' oversight of value for money reviews to ensure that there is sufficient scrutiny over Licence Fee expenditure. A key component of the programme was the appointment of external agencies to undertake certain areas identified for review. The key objectives of the reviews are to determine whether the BBC is achieving best value for its Licence Fee payers. PwC were appointed in November 2004 to undertake a review of the BBC's human resource operations (BBC People). Our fieldwork was carried out between November 2004 and January 2005.

In line with the BBC's overall objective of continuous improvement, the aims of this review are to:

- review the BBC's HR processes and services, assessing the extent to which they meet the needs of the BBC and best deliver value for money; and
- identify a range of options and make recommendations that further reduce the BBC's spend on HR, and/or increase external income from training and development products and services, without adversely affecting the quality of the service provided.

Placing BBC People in the context of the BBC's overall operations

The BBC's primary function is public service broadcasting.

Public Service fulfils the Corporation's primary purpose of public service broadcasting. In general, the BBC's commercial activities are undertaken by wholly owned subsidiaries set up for this specific purpose; they include:

- BBC Worldwide; and
- BBC Ventures.

Ventures consists of two businesses, BBC Resources and BBC Broadcast.

2 Introduction and background

Scope of the review

The scope of this review includes the following BBC People functions:

- Compensation and Benefits.
- Diversity.
- Programme Office.
- Finance.
- Employee Relations & Policy.
- Group HR Partners.
- Internal Communication.
- Occupational Risk Management (ORM).
- Organisational Development.
- Training and Development (People Development).
- Recruitment and HR Operations.

The following parts of BBC People were not included within the scope of this review:

- BBC Pension Scheme.
- BBC Nursery facilities.
- BBC Club.
- Production Modernisation.

Human Resources organisation within the BBC

BBC People provides services to all BBC Divisions, BBC World Service and the commercial subsidiaries. The Division consists of a range of functions providing HR and related services to the BBC (see figure below). The number of staff within each function is shown on the following pages.

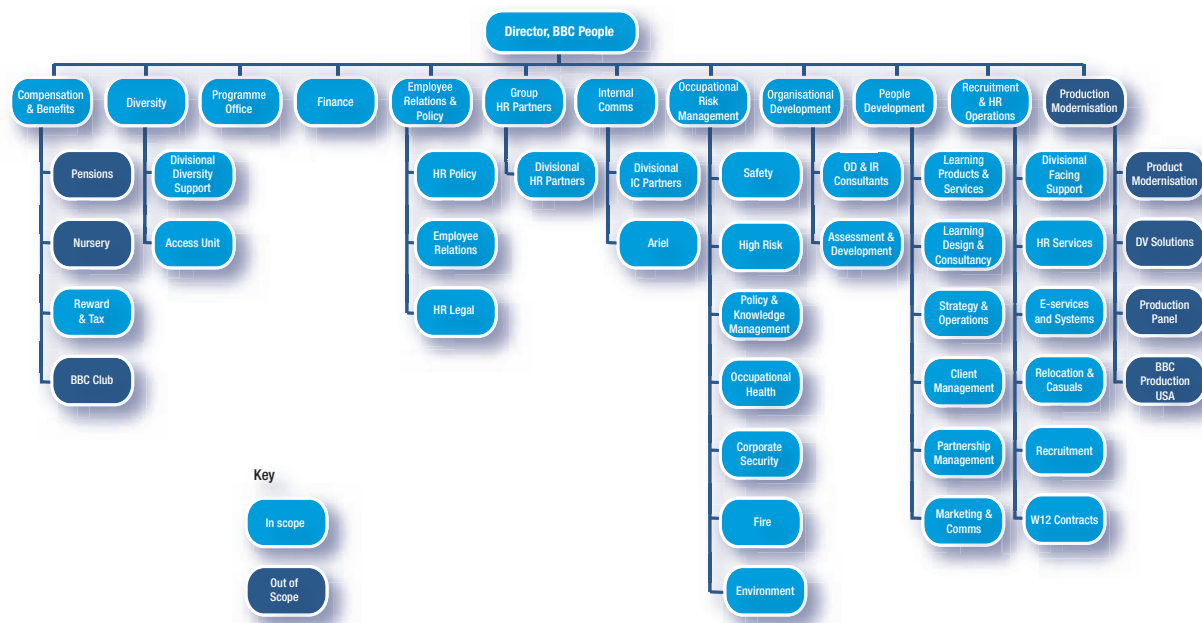


Figure: Organisational Chart of BBC People

2 Introduction and background

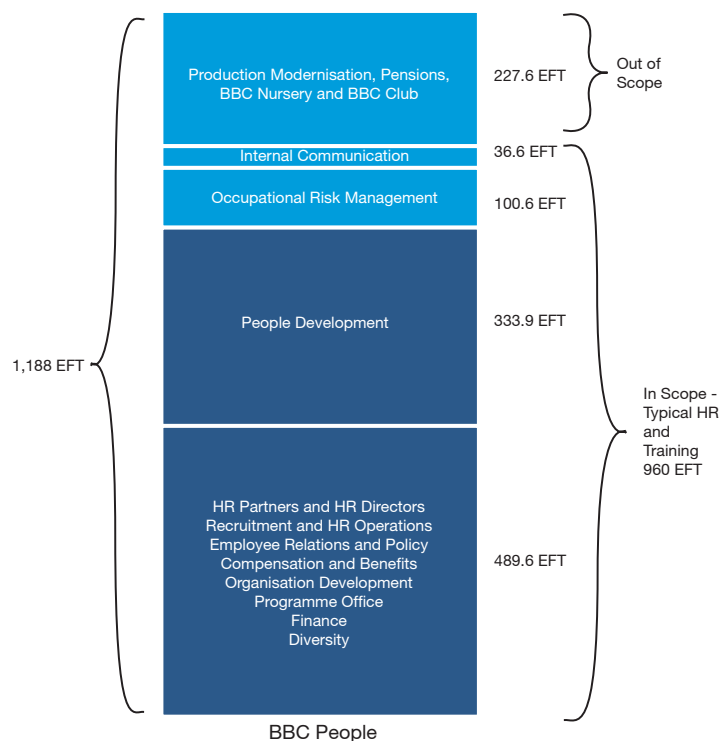


Figure: BBC People Headcount, excluding vacancies

BBC People is a diverse collection of people-related and other BBC-wide functions. The previous figure illustrates the proportion of staff performing people-related activity. There are 960 staff in scope for the VFM review, including staff which are embedded in divisional headcount and budgets and which provide HR services.

BBC People is a mixture of:

- central specialists, who provide advice to parts of BBC People and other customers; and
- HR teams, which face a division, a commercial subsidiary or a Nation or Region.

BBC People supports both internal and external customers. Internal customers include applicants, staff and managers (including Freelances) across all BBC divisions. External customers include applicants, pensioners, and participants on BBC People training courses.

Although primarily an internal facing function, services are also provided to external organisations, generating external revenues of approximately £4m per annum. For example, BBC People provides training and development services to UK-based and global media organisations, contributing to the BBC's Charter commitments. Ariel, the BBC's weekly internal communication, also generates revenue through advertising for the BBC.

Outsourced payroll services and SAP infrastructure have been provided as part of a wider and well established technology and services contract by an outsourced provider.

2 Introduction and background

	Comp & Ben	Diversity	Employee Relations	Partners and Direction	Int Comms	ORM	Org Dev	People Dev	Rec & HR Ops	Prog Office	Finance	Total in Scope	Not in Scope	Grand Total
BBC People	6.0	20.1	4.6	44.3	29.2	83.6	33.3	282.8	278.2	15	10.0	807.1	227.6	1,034.8
Embedded	1.0	7.6	0.4	14	7.4	17	-	51.1	55.0	-	-	153.5	-	153.5
Vacancies	1.0	(1.1)	1.4	(3.3)	4.5	5.4	1.9	14.2	21.6	(6.4)	2.0	41.2	(33.2)	7.9
Other adjustments								(6.0)		6.4	(0.4)			
Total EFT	8.0	26.6	6.4	55	41.1	106	35.2	342.1	354.8	15.0	11.6	1,001.8	194.4	1,196.2

Figure: BBC People EFTs per function as provided by the BBC

960 in scope staff

The table above shows the number of BBC People staff per function, totalling 960 staff excluding out of scope functions and vacancies

	Comp & Ben	Diversity	Employee Relations	Partners and Direction	Int Comms	ORM	Org Dev	People Dev	Rec & HR Ops	Prog Office	Finance	Total in Scope	Not in Scope	Grand Total
Total staff Cost Incl. associated overheads	733,960	1,413,094	560,649	6,554,971	2,576,284	6,481,017	2,460,598	20,669,216	17,167,431	886,855	633,629	60,137,704	6,818,797	66,956,501
Pass through and other policy related costs	950,000	640,000	-	1,467,409	500,000	1,355,000	(328,000)	13,684,000	6,575,123	(355,805)	-	24,487,727	2,753,378	27,241,105
	-	-	-	-	-	-	-	-	-	-	-	-	3,994,000	3,994,000
Total Gross Costs Incl. embedded staff	1,683,960	2,053,094	560,649	8,022,380	3,076,284	7,836,017	2,132,598	34,353,216	23,742,554	531,050	633,629	84,625,431	13,566,175	98,191,606
Total external Revenue		(140,000)	-	-	(164,000)	-	-	(3,557,000)	-	-	-	(3,861,000)	(512,000)	(4,373,000)
Total Cost Less external Revenue	1,683,960	1,913,094	560,649	8,022,380	2,912,284	7,836,017	2,132,598	30,796,216	23,742,554	531,050	633,629	80,764,431	13,054,175	93,818,606

Figure: BBC People cost per function as provided by the BBC

£24m policy related and pass through costs

The table above shows the in scope BBC People costs per function, totalling £60m, with additional policy-related and pass-through costs of approximately £24m, for example, Leadership Programme, Recruiting to Values, Upfront Induction, and the Attachment Scheme.

2 Introduction and background

Background and context

The provision of people-related services within the BBC has been in a state of change during the last four years.

Until 2000-2001 people-related services within the BBC were decentralised to Divisional teams with little emphasis on standardisation or service sharing across Divisions.

Transformation of the HR function during 2001 led to the development of the current model that includes: an HR organisation based around functions (Training and Development, Diversity, Recruitment and HR Operations); the delivery of certain shared services, for example recruitment and employee relations; divisionally based teams; and limited use of outsourcing, for example payroll provision through an external provider. According to figures provided by the BBC, the transformation in 2001 has already released £19m of ongoing savings for the BBC.

The functions within BBC People have had some notable successes during this transformation process, including:

- developing and delivering high quality products, services and processes;
- developing an understanding of divisional requirements;
- providing a responsive and supportive service to customers;
- encouraging a culture of innovation and continuous improvement, which has led in some instances to cost reduction; and
- creating an environment within BBC People characterised by high employee engagement and a broad range of opportunity for personal and professional development.

Progress has been made in the transformation of BBC People in certain areas, but our key findings are:

- Although progress has been made, both headcount and costs remain high compared with other organisations.
- Improvements have been made to the BBC People service delivery model, but it remains overly complex.
- Services are clearly defined and measured in some parts of BBC People, but there is a lack of clarity about the overall scope of service.
- Line manager accountability for people management is understood for certain processes but there is inconsistency between Divisions.

These findings are now examined in more detail.

3 Although progress has been made, both headcount and costs remain high compared with other organisations

This part of the review examines the overall headcount and costs of BBC People. In particular, it covers:

- the current cost and headcount of BBC People;
- how this compares with other organisations in the public and private sectors; and
- the cost impact of outsourcing services.

BBC People has already released £19m of ongoing savings for the BBC. Despite this, the function has potential for further reduction in both headcount and cost, which was clearly recognised prior to commencement of the review.

It should be noted that BBC People is responding to a complex range of demands including: variations in capability and confidence among the line manager population; policy complexity; high volumes of recruits and internal moves; a complex contractual mix and the demands of the modernisation agenda. Addressing some of the demand-side issues would be important in sustaining headcount or cost reduction within the function.

Against comparable public and private sector organisations, BBC People HR headcount and costs are high.

We benchmarked HR headcount and cost against samples of organisations from both the public and private sector, using the Saratoga definition of HR, which excludes Occupational Risk Management, Training and Development, Pensions and the BBC internal newsletter, Ariel.

The ratio of HR headcount EFT (Equivalent Full Time) to overall employee EFT is 1:59, compared to a median of 1:73 for the private sector and 1:78 for the public sector, as shown in the following table.

HR EFT per BBC EFT				
	BBC	Lower quartile	Median	Upper quartile
Private sector	1:59	1:65	1:73	1:94
Public sector		1:54	1:78	1:102

Comparison in the BBC context requires particular attention in the area of freelance and casual workers, due to the large proportion of freelance (11,500 contracts) and casual (7,000 contracts) effort across the organisation. The benchmarking figures include an adjustment based on the actual levels of support BBC People is providing for the freelance and casual community.

The cost ratio of BBC People HR is £1,075 per BBC EFT, including Freelances. The position relative to the median for other organisations can be seen in the following table.

Cost of HR per BBC EFT				
	BBC	Lower quartile	Median	Upper quartile
Private sector	£1,075	£420	£930	£1,746
Public sector		£338	£542	£585

Against comparable public and private sector organisations, BBC People Training and development headcount is high.

We benchmarked Training and Development headcount against organisations from both the public and private sector.

3 Although progress has been made, both headcount and costs remain high compared with other organisations

The Training and Development headcount ratio is 1:88 which is positioned against public and private sector comparisons in the table below.

Training EFT per BBC EFT				
	BBC	Lower quartile	Median	Upper quartile
Private sector	1:88	1:83	1:128	1:182
Public sector		1:69	1:96	1:239

Certain BBC People services may be more cost effectively delivered by external providers.

As an additional test of the potential for cost reduction, we carried out a confidential market test with a sample of leading providers of outsourced services. PwC wrote to 11 suppliers asking them to respond to specific questions regarding the potential for outsourcing certain BBC People services. We asked their level of interest in acquiring the HR operations and the associated fees they would charge. The suppliers indicated they would:

- make some level of upfront payment;
- deliver annual estimated savings, with the majority in the 30% range; and
- prefer a contract term between seven and ten years.

The market test confirmed supplier interest in providing such services externally and, in broad terms supports the opportunity to further reduce costs. Specifically, against the range of services in scope for this review, providers indicated that there was potential for cost reduction.

This requires further examination including, for example, a detailed inspection of costs, service levels, scope and contractual considerations.

Having reviewed the costs and headcount associated with BBC People, we make the following conclusions:

- BBC HR and Training headcount is high relative to both public and private sector organisations;
- BBC HR costs are high relative to both public and private sector organisations; and
- an initial market test indicates that the cost of certain BBC People services could be reduced through outsourcing.

We provide recommendations that address these conclusions in the Recommendations section at the end of this report.

4 Improvements have been made to the BBC People service delivery model, but it remains overly complex

This part of the review examines the BBC HR service delivery model and the factors that contribute to its current complexity. In particular, it covers:

- internal customers' interface with BBC People;
- distribution of administration activity throughout BBC People;
- delivery of HR services; and
- process complexity.

In 2001-2002, BBC People consolidated multiple HR activities to drive consistency, and provide a centralised point of contact for routine recruitment and HR operations matters. Specifically, certain administrative activities within the Recruitment and HR Operations function were centralised through the creation of a dedicated administrative support team (HR Services) providing services for staff in all divisions. Cost reductions and service improvements were made, and by late 2004 the BBC had started to look in detail at another round of improvement opportunities.

The findings and supporting evidence set out below illustrate that despite progress made to simplify it, the BBC People delivery model remains overly complex.

There are multiple contact points for customers.

Changes made to BBC People's delivery model have resulted in improvements in providing a more consistent, standardised service. Consistently used, clear points of contact are important factors for success in such a model. Success in achieving them has so far been limited.

In practice, within the Division-facing HR team, a line manager might have as many as ten different points of contact with BBC People:

- HR Partner.
- HR Manager(s).
- Senior HR Advisors.
- Recruitment Consultants.
- Assistant Recruitment Consultants.
- Development Advisor.
- Development Executive.
- Internal Communication Partner.
- Diversity Managers.
- Health and Safety professionals.

Multiple contacts for similar services - for example, recruitment - can lead to customer confusion and can drive inefficiency.

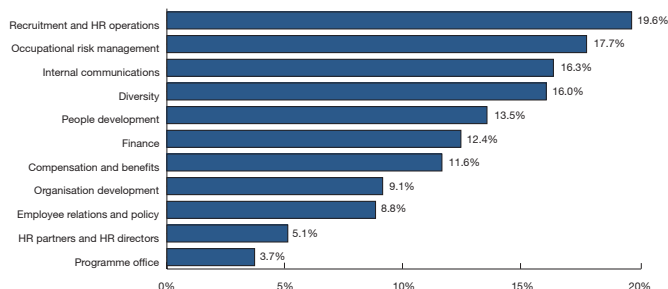
In addition to multiple points of contact, the division-facing team may not work to a common customer agenda because of different reporting lines. For example, the objectives of the Development Advisers and Development Executives may not be visible to the HR Partner and be set and directed by other parts of BBC People. Additionally, consultation within divisions on internal communication requirements can vary. Some Internal Communication (IC) partners interpret their remit through the Divisional head, some through the HR Partners and some through both.

Evidence from HR Partner interviews suggests that most HR Partners find it challenging to work in a division-facing team arrangement with no line management responsibility for other BBC People staff.

Multiple points of customer contact are evidenced by data from the activity analysis that shows all BBC People functions spend time on customer contact as shown in the figure below.

4 Improvements have been made to the BBC People service delivery model, but it remains overly complex

Figure: Percentage of BBC hours spent responding to customer queries, split by function



Percentage of time spent on customer contact

Administration activity is high across all roles and BBC People functions.

Whilst progress has been made in recent years to centralise administration activity within BBC People by creating HR Services, high levels of administration remain across BBC People functions and roles. This is evidenced in the following:

There are high volumes of administration across BBC People overall (38.6%).

Figure: Percentage of BBC People time spent on Strategy, Consultancy, Advisory and Administration

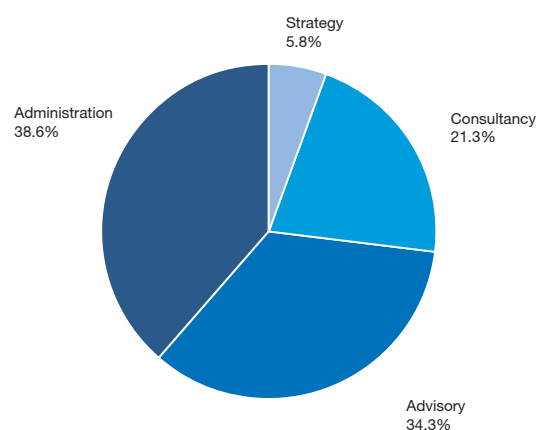
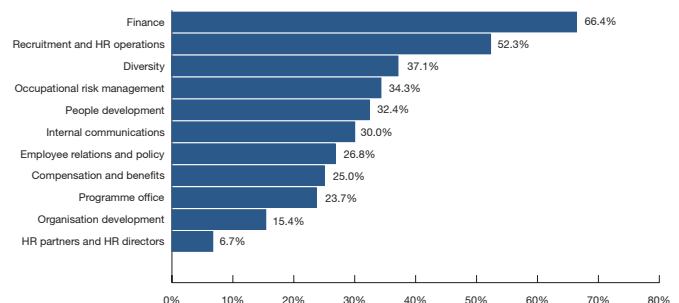


Figure: Percentage of BBC People functions' time spent on administrative activity



Percentage of time spent on administration

A high percentage of administration takes place within each of the BBC People functions. Within these figures, high volumes of administration still exist outside of the centralised team, including:

- HR administration in the Nations, Regions and BBC Worldwide HR teams;
- training administration and room bookings in PD; and
- freelance and casual contract administration.

The Senior HR Adviser role was created within Recruitment and HR Operations to respond to divisional requirements for a primary point of contact to provide division-specific knowledge and respond to queries and requests. Whilst this role has been successful in delivering the requirements, levels of administration within the Senior HR Adviser role remain high.

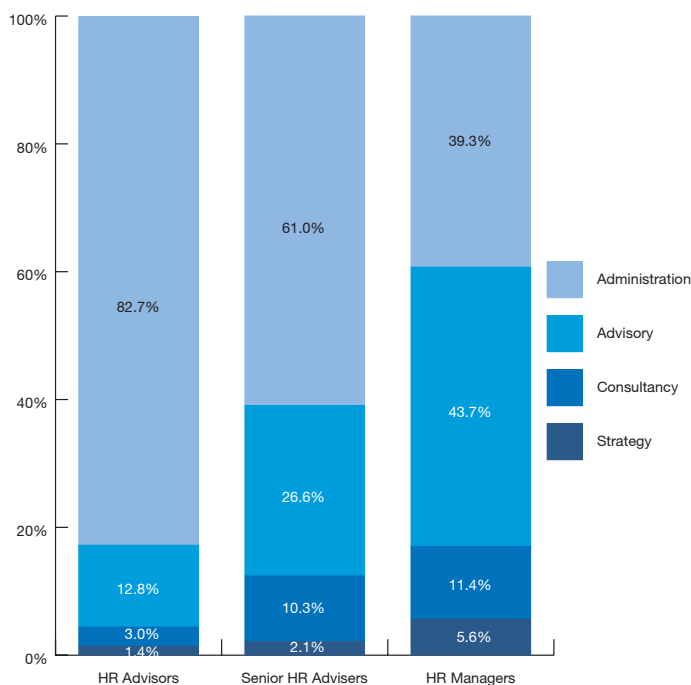
This is evidenced by:

- Senior HR Advisers 'commissioning' administrative support from HR Services, which is time consuming and administrative in itself.
- Senior HR Advisers duplicating aspects of the support provided by HR Services. For example, answering basic queries from members of staff and line managers.

4 Improvements have been made to the BBC People service delivery model, but it remains overly complex

There are significant amounts of administration activity performed by managers within Recruitment and HR Operations.

Figure: Percentage of BBC hours spent on Strategy, Consultancy, Advisory and Administration activities for the Recruitment & HR Operations function, split by roles



Administration activity continues to be dispersed across BBC People:

- Two teams within PD, Learning Products and Services deliver training administration services. For example, venue booking, sourcing equipment and booking courses, using common systems and processes, but for different BBC training locations. The teams' combined headcount is approximately 24 EFT.
- Four teams within and outside of BBC People HR Services administer aspects of the contracting process.
- A contracts team within Recruitment and HR Operations negotiates and administers freelance and casual contracts for Drama, Entertainment and CBBC, with a dedicated contract production and payment service for editorial categories within Factual and Learning Divisions and Sport. (Approximately 17 EFT).
- A team within Recruitment and Operations, based in Cardiff, which administers casual contracts (less than three months in duration). (Approximately 17 EFT).

- The Central Processing Unit within the Programme Office function, which administers freelance contracts for BBC People. (Approximately 4 EFT).
- Embedded staff within BBC Resources, which administer aspects of freelance and casual contracts on behalf of BBC Resources. (Approximately 2 EFT).

In addition to HR Operations administration, the HR Partner survey completed in October 2004 gathered executive views on HR Partner services and summarised themes. One theme related to how HR Partners spend a lot of time on routine operational activity - which was preventing them from focusing on more strategic issues.

Disbursement of administration activity contributes to the model being overly complex.

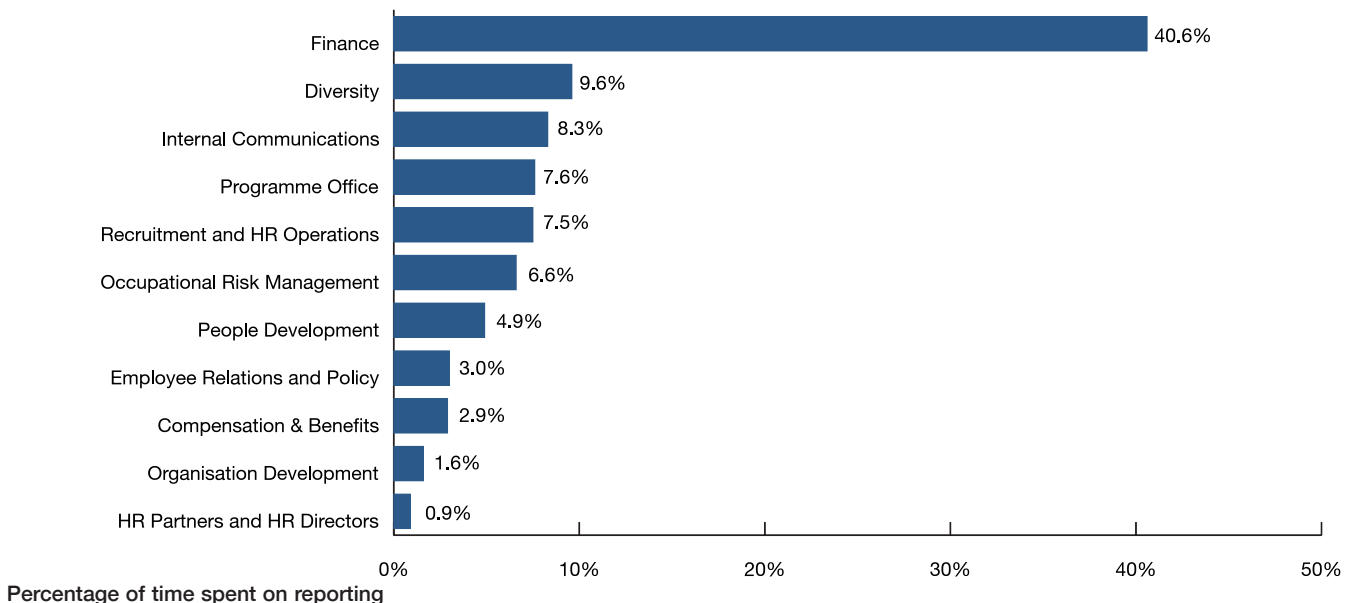
Similar HR services are provided within and across BBC People functions.

While attempts to centralise some HR services have been successful, other services continue to be provided by different functions within BBC People.

For example, a team within Recruitment and HR Operations provides technology development and SAP HR related services for BBC People. In addition, PD also has a team providing technology development and other related services.

4 Improvements have been made to the BBC People service delivery model, but it remains overly complex

Figure: Percentage of BBC hours spent on Reporting



There is also overlap in terms of management information. For example, the Programme Office function creates and analyses management information in addition to the dedicated management information function within Recruitment and HR Operations (approximately 7 EFT).

These findings are supported by the results of the activity analysis, which indicate that staff in BBC People spend a high proportion of time on reporting within all functions.

For Occupational Risk Management:

- Similar responsibilities were described by different staff. For example, safety advisors stated in interviews that their roles included monitoring changes to legislation, as did the Policy and Compliance team.
- Roles between Training and Development (T&D) and ORM staff overlap. Staff in both teams are involved in development, delivery and administration of training. Some embedded staff also had training responsibilities included in their job titles but their roles were unclear.

There is unclear ownership of the organisational change agenda within BBC People.

- Several functions within and outside of BBC People claim to have ownership of the agenda. For example, Organisation Development, PD, IC and, outside of BBC People, Making it Happen.
- There was a common view amongst BBC People staff interviewed that the co-existence of Organisation Development and the 'Making it Happen' team is unsatisfactory.

The duplication of activity across BBC People contributes to customer confusion and multiple contact points for customers.

Some processes are overly complex.

Progress has been made to simplify and improve BBC People processes, most significantly through the development of e-services. This includes developing on-line recruitment application tools and self service tools for line managers and staff.

4 Improvements have been made to the BBC People service delivery model, but it remains overly complex

Multiple points of contact within BBC People and the provision of similar services by different functions contributes to some processes being overly complex.

There are several unnecessary handoffs within Recruitment and HR Operations processes. For example, a line manager request may be handled by various members of BBC People staff before it is actioned, leading to long process delivery timescales and greater potential for error.

The high number of handoffs also results in potential for processes being circumvented by members of the business facing HR team or line managers who would 'do it themselves' to speed up the processes.

Some processes are manual and time consuming. For example:

- there are significant volumes (over 23,000 records annually) of sickness absence data to manually key into SAP;
- while greater transparency has been achieved in the recruitment process, the Fair Selection standards and procedures applied by the BBC increase the process effort and duration for BBC People staff and line managers, including the requirement to recruit and select for all internal attachments; and
- during 2003-2004, there were over 7,000 attachments and acting promotions and 4,300 new joiners; according to BBC policy and practice, all of these must be interviewed by two people, which places a significant demand on BBC People and line manager time.

Some process complexity is driven by HR policy, so process simplification cannot necessarily be achieved without also addressing the policy drivers.

Having reviewed the BBC People delivery model, its roles and processes, we make the following conclusions.

BBC People should ensure that:

- similar activities are centralised and duplication between functions and roles is removed;
- roles are reviewed to make sure that administration is undertaken in the most cost effective way;
- the future model reduces the number of points of contact for customers; and
- processes are reviewed to enable efficient and flexible delivery that meets customer requirements.

Addressing these will reduce:

- confusion amongst customers;
- duplication of activity;
- potential risk; and
- HR costs.

We provide recommendations that address these conclusions in the Recommendations section at the end of this report.

5 Services are clearly defined and measured in some parts of BBC People, but there is a lack of clarity about the overall scope of service

This part of the review examines BBC People services, their definition and measurement. In particular, it considers whether:

- the scope of service for all functions is clearly understood;
- delivery standards are clear; and
- project accountabilities are clearly defined.

Certain BBC People functions have clear processes. For example, Recruitment and HR Operations recruitment processes have been clearly communicated and are adopted across many parts of the BBC. Internal service standards and accountabilities are also clear for certain services. There is evidence that PD is evaluating the quantitative business impact of IT training and has more generally set evaluation of delivery as a core part of their strategy.

In addition, BBC People has won recognition, through numerous external awards, for a number of its products and services.

However, the findings set out here provide evidence that, although progress has been made in these areas, there remains room for improvement.

The scope of service for certain functions and roles is not clear to those staff or other BBC People staff, leading to variation in delivery across divisions.

More than 50% of senior respondents indicated that they were unclear of the purpose and scope of some of the specialist BBC People functions and roles. This lack of transparency relating to certain BBC People roles is due to the combination of different functions providing similar services and the multiple points of contact available. Although progress has been made to consolidate job titles and grades within the BBC, staff are still unclear.

This lack of clarity is further complicated by the fact that there are over 200 different job titles within BBC People. For example:

- Within the HR Partner function (approximately 30 EFT), there are three levels of HR Partner (Group, Lead and HR Partner).
- Within Recruitment and HR Operations, there are 6 different recruitment roles. Analysis indicates that the roles of Recruitment Consultant and Assistant Recruitment Consultant are very similar, differing only on the level of staff they are responsible for recruiting.

- The Policy and Compliance team within Occupational Risk Management has approximately 24 EFT. There are at least 23 different job descriptions for teams in security, environmental management, knowledge management, development of CORMS, fire risk and property. Based on anecdotal evidence from interviews, there is a lack of clarity regarding the scope and purpose of the Policy and Compliance Team.

In addition to this complexity, there are inconsistent delivery standards at a functional level. For example, the divisional arrangements to define health and safety responsibilities and the interaction with the ORM function varies between divisions in terms of content and structure.

There is further evidence from the area of Internal Communications: the team briefs used to cascade information to line managers are not consistently delivered across Divisions, and not all IC Partners are responsible for producing their Divisional briefs. Most IC Partners interviewed said they prefer to use their own tools and templates.

Evidence gathered from interviews and workshops with ORM and divisional staff indicates that there is inconsistent delivery of health and safety services and advice to Divisions. Although the quality of the support delivered by Safety Advisors was considered to be high, the nature of support varied across Divisions, ranging from providing specialist policy and operational advice to line managers to a hands-on role undertaking safety activities for the line.

PD provides a wide range of services to its customers, including training, development, knowledge management, organisation development, performance management, managing contractors, technology development and technology support. However, evidence from a PD process improvement workshop in November 2004 indicates that the scope of service offered by PD and the rationale for offering the services is not clear.

The need for clarity over the scope of service offered by PD is also supported by evidence from activity analysis which indicates that, in addition to training delivery, PD staff spend a significant amount of time on a variety of other activities.

5 Services are clearly defined and measured in some parts of BBC People, but there is a lack of clarity about the overall scope of service

The extent to which delivery standards are set by BBC People functions is varied.

BBC People has objectives linked to the wider BBC strategy. There is evidence that individual functions within BBC People - for example, PD has emerging key performance indicators - but the link between functional objectives and overall BBC People delivery measures is not apparent. This results in lack of clarity on overall delivery against strategy. (Recognising that the Programme Office is currently developing an overarching set of key performance indicators called the 'KPI dashboard'.)

Recruitment and HR Operations has a set of service standards which are measured and tracked. These cover call and transaction volumes and turnaround times. We found no clear service level agreements, for example focused on key customer groups. HR Partners contract with their own internal customers but we found no clear service level agreements between HR Partners and specialist HR functions or other centrally provided HR services.

Within PD, evaluation of delivery is a core part of their strategy and has recently started to look at the longer-term impact on people and the Corporation. Prior to June 2004 evaluation of training was primarily course specific with each course measuring effectiveness using different reaction-based questionnaires. Significant progress has been made towards a common approach to the evaluation of training at the BBC.

However, evaluating training delivery is not consistent across all areas of delivery and direct comparisons cannot be made across all courses and training products. The evaluation of training ranges from end-of-course reaction-based questionnaires for general courses, to bespoke approaches for large strategic programmes.

Although there is now a strategic focus on standards, measurement and training evaluation, there is not currently a consistent approach in use across all BBC training and development programmes to evaluate effectiveness and impact on individuals' skills development, or assessment of the quantitative impact on the business.

It is not clear who is responsible for generating training demand. Within PD, one of the Development Executives' key responsibilities is to provide a clear and co-ordinated approach to planning, delivering and evaluating divisional development and training and ensuring plans are acted upon.

Workshops conducted with Development Executives (DE) and Development Advisers (DA) reported that they see their role as predominately focused on providing organisational development services to their customers: divisional line managers. Although course schedule data provided by PD indicates that, in the last two years, the primary reason for course cancellation is lack of demand, DEs and DAs reported that they did not see their role as ensuring demand was consistent with the demand plan.

Demand planning for the PD function has improved, but there remains room for improvement. The link between divisional demand plans and courses scheduled by PD is not explicit. It is not possible to compare the number and type of courses requested by Divisions within the demand plan that accompanies the PD course schedule. Without such data, the value of the demand planning process is diminished. In 2003/2004, 32% of scheduled PD courses were cancelled. Course cancellations have reduced to 15% in 2004-2005.

5 Services are clearly defined and measured in some parts of BBC People, but there is a lack of clarity about the overall scope of service

There is a lack of systematic control and measurement of BBC People projects.

Not all projects are monitored effectively - there have been recent efforts to develop more systematic control of projects and standardise methodologies; however, there remains a lack of accountability for projects within BBC People. Arrangements are in place to audit the type and number of projects currently in progress within BBC People, but there is little systematic control and monitoring of such activities across BBC People in terms of project priorities, volumes, scope, purpose and progress. Further, there is little evidence that clear benefits realisation plans are in place for projects.

According to PD documentation, there are EFT, operational and line manager benefits of implementing the SAP Training Event Management (TEM) module. However, it is not clear to which PD budgets and plans the benefits are allocated.

Having reviewed BBC People services, their definition and measurement, we have reached the following conclusions, these build on the work carried out to date within the Division:

- BBC People should agree the specific services they will offer and which functions within BBC People will deliver them. This should then be communicated and clarified across all functions in a coherent way.
- A future model should group similar activities together, for example, all aspects of administration and transaction processing.
- Clear outcomes and consistent service standards and levels should be set for all BBC People functions.
- Functions should be accountable for delivering agreed services to specified service levels.
- A clear view of training demand should be gathered through an effective interface with the customer.

We provide recommendations that address these conclusions in the Recommendations section at the end of this report.

6 Line manager accountability for people management is understood for certain processes, but there is inconsistency between Divisions

This part of the review examines the role of the line manager and their accountability for people management. In particular, it covers:

- different line manager roles between divisions;
- line manager capability; and
- line manager requirements of BBC People services.

These are particularly important given that the recently announced restructuring programme will create an additional demand for HR support to plan and implement the changes, and for line managers to be skilled to support in the implementation of any planned changes.

Line manager responsibility for people management is not clear for all HR functions and processes and varies between divisions and individuals providing the service.

Some BBC People functions and processes clearly define the split of responsibility for activities between line managers and BBC People. This is supported by feedback from workshops conducted with line managers, which indicated that over 75% of participants agreed with the statement that 'the division of people management responsibilities between line managers and HR is clear'. This feedback was specifically in relation to HR generalist support provided by Divisional HR, (most commonly HR Managers and HR Partners).

However, it was reported during interviews and workshops with line managers and BBC People staff that the responsibilities of the line managers can differ depending on the Division and the individual providing the HR services.

Within the programming areas of the BBC, HR Managers and Partners may undertake activities on behalf of line managers, such as discussing individual pay and performance issues with staff. In other Divisions, this would be interpreted as a line manager's responsibility.

In addition, line manager feedback from workshops indicates that the level of HR service delivered, and the extent of line management responsibility for people management activities, depends significantly on the BBC People staff member(s) supporting the line manager. For example, in some Divisions, Recruitment staff may provide a full application screening service for line managers, in others not. In some Divisions, HR will support line managers through the full salary review process (including

preparation of recommendations), in others HR will only validate and challenge line managers' recommendations and decisions.

The differences in interpretation of line manager responsibility for people management activities can contribute to confusion amongst customers about HR's role, scope and purpose and potentially lead to errors in the delivery of HR transactional processes.

An example of this is the administration of leavers. When staff leave the BBC, line managers often fail to inform HR, or inform them after the staff member has left the organisation. This results in employees continuing to receive a salary after they have left the organisation. HR effort is then spent trying to reclaim overpayments from former staff.

Feedback suggests that there is a structured approach to building leadership capability within the BBC, but that building tactical line management capability could be improved.

In terms of BBC-wide mandatory management and professional programmes, the recent focus has been on leadership development (the Ashridge Leadership Programme), On-line training and 'Sources, scoops and stories'.

A recent Training and Development survey found that, overall, staff considered the quality of training courses to be high. (Source: BBC Training and Development Customer Research Results 2004.)

Most line managers who attended PwC workshops suggested that they want more tools to enable them to become better tactical managers.

Although the Leadership Programme contains tactical management skills workshops, e.g. performance management skills, the line managers' perception, reported in the PwC workshops, is that the Leadership Programme provides leadership skills not tactical management skills.

It is recognised that there are plans in place to adapt the Leadership Programme to respond to these and other emerging needs.

6 Line manager accountability for people management is understood for certain processes, but there is inconsistency between Divisions

Whilst there are a range of training and development opportunities available to support capability enhancement for line managers, evidence would suggest there has been a low level of creation of personal development plans at all grades. Between 55% and 75% of staff at different grades reported that they did not have a PDP in 2004*. Similarly, in the 2004 BBC staff survey, just 39% of respondents conduct regular conversations with managers about their development. (*Source: BBC Training and Development Customer Research Results 2004.)

Set against this, some interviewees noted that developing management skills is likely to become more important over time, in the context of progressive devolution of responsibility for management and reduction in levels of professional support services.

Improvements in the personal development planning process and developing management capability are therefore likely to be a key future priority for the BBC.

Line manager feedback indicates that they want more flexible HR processes and access to 'on-demand' expert advice.

We surveyed line managers through interviews and focus groups about what support they want from BBC People.

The BBC, as a public service organisation, sets high standards in terms of fairness and consistency in people management. Some parts of the workforce are unionised and the volume of casework (including disciplinaries, grievances and appeals from both staff and applicants) varies between Divisions. In recognition of this context, HR policies (for example, capability including disciplinary and grievance) are often complex in nature. While there is comprehensive on-line guidance, line managers' feedback suggests that policies are often difficult to interpret on-line, and that what they value is the opportunity to seek direct expert advice from HR professionals on specific issues.

The overall environment has contributed to a relatively cautious approach by line managers and HR professionals in relation to interpreting and applying HR policies. Line managers report that there is a feeling that HR is often too risk averse in making decisions that require them to interpret policy.

Overall, evidence gathered from line manager interviews and supported by BBC People's own surveys, indicates that managers want an HR service that can provide expert 'on-demand' advice, either to challenge or validate people management decisions. In particular, they want:

- more flexible and responsive processes that they can manage independent of HR. For example, in recruitment and selection; and
- clearer guidelines and policies that are simple to understand, less time consuming and give line managers the flexibility to make decisions, with the option of being supported by expert HR advice on policy interpretation when required.

However, any changes to policy and procedure require careful thought. For example, the recruitment processes are often cited as being overly complex. The need for fast and simple processes needs to be set against the corporate need for assurance - in this case that the BBC is recruiting to its values.

Assuming line managers are equipped with the knowledge and capabilities to operate with more autonomy, a key pre-requisite for the Corporation will be appropriate measurement of outcomes (in the case of recruitment, for example, diversity monitoring) and the ability to identify evidence of poor compliance and make interventions.

Having reviewed the role of the line manager and their accountability for people management, we make the following conclusions:

- The role of the line manager and their accountability for people management needs to be reviewed across Divisions to ensure consistency and to understand the consequences of changing the nature and levels of HR support provided.
- Policies, guidance and processes need to be reviewed to make sure that line managers can interpret them flexibly, and call upon expert HR advice if needed.
- Success of any delivery model that supports standardisation will rely on common standards and capability amongst line managers and HR to interpret and apply HR policy and practice.

We provide recommendations that address these conclusions in the Recommendations section at the end of the report.

7 Recommendations

The following recommendations are made on this basis of a number of key design principles and customer requirements:

- Fewer and clearer points of contact for line managers and staff.
- Ability to provide on-demand expert advice to both line managers and BBC People staff.
- Greater understanding of, and the ability to prioritise Divisional requirements and projects.
- Actively identifying people issues and developing solutions.
- Delivering high quality administration and query handling.
- Flexible and efficient processes with clear guidelines for line managers that clarify responsibilities.
- Grouping common HR activities and services so they are integrated and delivered via the most appropriate means.

Our recommendations describe a combination of improvements to internal organisation and process and the external provision of some services. Implementing these recommendations would reduce the cost of BBC People staff by approximately £18m pa, from approximately £58m pa to approximately £40m pa. Redundancy of 190 staff would deliver £13m and outsourcing represents a further £5m reduction. BBC People staff would be reduced by 540, from approximately 960 to 420 (excluding out of scope areas and vacancies). To be effective, this will require a change in the roles, responsibilities and skills of line managers.

Our recommendations are grouped in the following areas and based on the conclusions of our findings:

- Organisation and processes.
- External supply of services.
- Role of the line manager.

A high-level implementation roadmap for delivering the recommendations is also supplied.

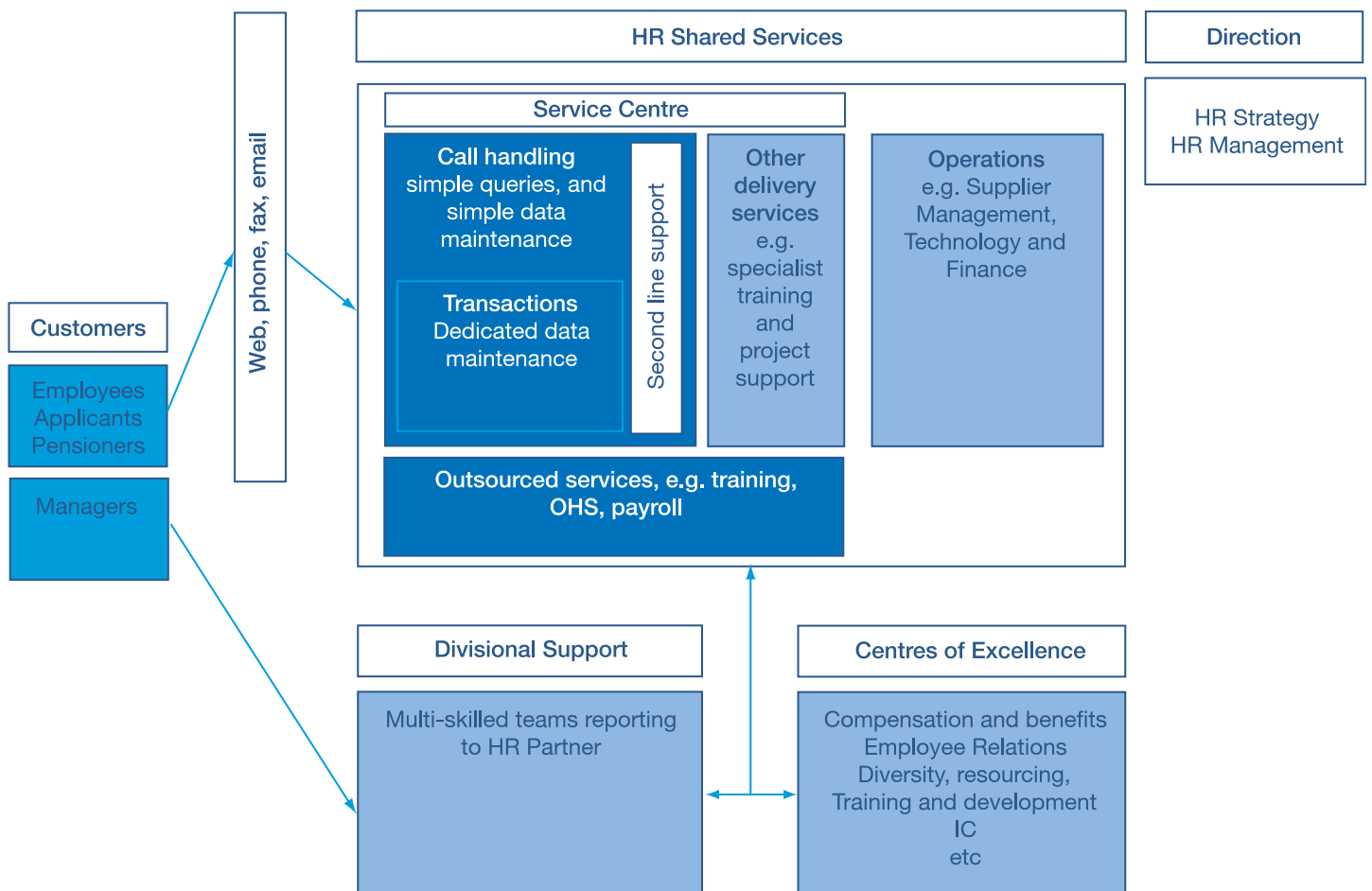
Organisation and processes

The existing BBC People model should be simplified to reflect the key principles and customer requirements described previously. Simplification of the model will provide opportunities for cost reduction and service improvement, although the complexity of HR staff embedded in Divisional headcount needs to be considered during implementation.

Key elements of our recommended design are:

- Strengthening divisional HR teams to meet customer requirements for more focused, dedicated, general HR support; making an expert advisory service available to customers on-demand.
The divisional HR team would be responsible for making sure that a high quality, timely service is delivered from central/shared functions. Divisional teams would be led by an HR Partner supported by HR Managers.
- Centralising delivery of HR and training administration services and handling managers' and staff queries.
This should include centralising the remaining distributed administration activity, standardising processes and ensuring best use of technology. It also requires clarity of responsibility between centralised delivery teams, divisional HR, centres of excellence, line managers and staff.
This centralised function could potentially be delivered via an external supplier. In addition, e-enable processes where opportunities exist. For example, sickness absence administration.
- Establishing a small centre of excellence to provide subject matter expertise and thought leadership to BBC People and its customers on core HR services, including Compensation and Benefits; Employee Relations; Diversity; Resourcing; Training & Development; and Internal Communications. Centres of excellence will be the custodians of BBC HR policy and practice and design specialist solutions for implementation throughout the BBC and its Divisions.
- Most effective sourcing of some non-administrative HR services. That is, use outsourcing where business needs can be met more cost-effectively. External supply might be considered for services including non-craft training, Occupational Health services and Payroll (already outsourced to an external provider).
- Ensuring operations support provides a central service to BBC People and divisional HR, including the provision of management information, technology services, centrally co-ordinated finance and budgeting support and a supplier management team focused on development and maintenance of arrangements with third party providers, including outsourced providers.
- Making other delivery services available to all Divisions accessed by customers via their Divisional HR team. Such services could include specialist training design and delivery, project management and consultancy support for pan-BBC or divisional projects.
- Establishing a small Direction team focused on developing and delivering the overall BBC People strategy.

7 Recommendations



7 Recommendations

External supply of services

We recommend that the BBC examines outsourcing parts of BBC People. Our initial market test suggests that a range of suppliers of outsourced HR services would bid for a formal tender, if one were issued. Next steps should include a full definition of requirements including scoping, detailed design, risk assessment, controls and expected degrees of freedom for the contractor, service levels, penalties and gainshare arrangements, location and approach to transfers and transferred employees. These would create the basis for evaluation, the structure of the arrangements and the design of the tender process itself.

A key outcome would be a detailed project plan and timings for the subsequent phases.

The HR outsourcers approached in the market test would typically provide general skills and IT training, together with some specialist capability such as Health and Safety. This should be included within the scope of any HR outsourcing tender.

In terms of more complex broadcast training, we suggest that the BBC continues its exploration of other options including industry partnerships within the UK. This will require clarity on the internal demand and supply model (for example, the mix of delivery in Divisions from BBC Resources and external supply).

A feasibility study for broadcast training should be instigated to consider the market, criteria, potential models, risks and partnership arrangements. It should also evaluate the financial and strategic costs and benefits over a three-year period.

Role of the Line manager

The recommended service delivery model will require line managers to play an enhanced role as ownership of appropriate people issues is devolved into the line.

Pre-requisites for success in this process include:

- skills development. For example, making sure line managers are equipped to manage day-to-day operational HR issues;
- explicitly defining, agreeing and communicating the responsibilities of line managers and of BBC People within each process;
- clarity on the service that HR will provide and efforts to ensure that this is consistent for all BBC managers and staff; and
- continued progress on simplifying policy where reduction in complexity can be achieved without compromising BBC values or legislative compliance.

Service standards and measurement

In the context of the new service delivery model, we recommend that BBC People develops an integrated set of service standards that are developed and agreed with internal customers. These should be based on quality and efficiency targets that are customer focused, measured or tracked over time and benchmarked against appropriate external comparisons.

In terms of project-based work, we recommend that BBC People establish a clear process for prioritisation, monitoring and control of projects. We also suggest that more emphasis is placed on developing robust benefit realisation plans.

7 Recommendations

Potential for staff and cost reduction

There are 960 staff within BBC People, with associated costs including salaries, benefits, property, IT etc., of £58m pa, excluding out of scope functions and vacancies. There are additional costs of approximately £24m of additional policy related and pass-through costs.

The recommended service delivery model identified in this review requires approximately 420 staff, with costs of approximately £27m pa.

These staff will provide divisionally based HR support, specialist HR advice - for example, compensation and benefits, employee relations and shared services, including complex query handling, management information, consultancy and broadcast training delivery etc.

Of the remaining 540 staff and £31m of cost, our review identifies 350 staff and £18m of cost which could potentially be outsourced. This can be achieved primarily in recruitment and training administration and assessment services, simple query handling and technology support. The majority of outsourced providers indicated a cost reduction of approximately 30%. Using this as a working assumption, the £18m cost associated with the 350 staff would be reduced by approximately £5m pa.

The outsource providers previously indicated they would consider taking on more than 350 staff: for example, specialist broadcast training, learning and development consulting and safety advice. We recommend that the provider's track record of delivering these more complex HR services to quality standards required by the BBC be assessed during a competitive tendering process and other models for specialist broadcast training be considered.

The remaining 190 staff would be redundant, because of the implementation of a new service delivery model. The model would deliver HR services focused on divisional requirements, improvements in efficiency and reduced duplication. This would reduce costs by approximately £13m pa.

We expect that these changes would be implemented over a period of approximately three years, with benefits phased in over that time. These recommendations should be considered by the BBC, and subjected to detailed scoping, planning and business case development.

Note

These figures are estimates only. The data have not been audited and are dependant on a number of factors, including, but limited to, BBC acceptance and implementation of the recommendations, agreement on the scope of outsourcing, detailed contract specification and negotiation and acceptance of a reduced scope of service.

Transition and redundancy costs would also need to be included in the overall business case. This review has not commented on the out of scope areas or approximately £24m of additional policy related and pass-through costs in the BBC People budget. The cost reduction information should not be relied on for the purpose of budgeting.

We recommend that the BBC develops a clear, overarching vision for the service, a single integrated model and a common approach to planning and implementation.

Typically transformations of this scope and complexity are delivered over a 2-3 year period.

8 Appendix

Methodology

Within the context of its commitment to excellence, the BBC has commissioned a VFM review of BBC People.

We designed this review to identify further improvement, without undermining the existing scope and quality of service. For the BBC, this means delivering services:

- to clear standards (quality output);
- by the most effective, economic and efficient means available (cost effective); and
- with continuous improvement in the way in which functions are exercised (service enhancement).

Value for money reviews

PwC conducted the fieldwork and analysis for this report.

PwC has a detailed understanding of value for money and its application to audits, particularly on behalf of the National Audit Office (NAO). In the past year, we have supported the NAO on their VFM reviews, ranging from expert advice on projects, through to the delivery of fully outsourced reviews. Our approach is outlined below.

Collection of information, data analysis and comparison

To assess the performance of various BBC People services, we collected qualitative and quantitative data from a range of the BBC's staff and systems. This data included:

- documentation of service standards/ policies;
- structural data about the organisation of BBC People within the BBC;
- customer feedback data;
- HR activity data;
- process and performance management documentation;
- volume and key performance metrics;
- HR cost data; and
- agreements with third party service providers.

The structural information provided by the BBC was supplemented by fieldwork visits. We conducted approximately 100 one-to-one meetings with members of the HR Leadership team and staff within functions. We also held approximately 24 process/function workshops to conduct a thorough review of the effectiveness of the existing HR delivery model and to understand roles in more detail.

We evaluated customer feedback data already gathered and held several workshops with approximately 40 line managers to understand in more detail customer perceptions and views on the current BBC People services.

We conducted an activity analysis of current BBC People staff activity, including the spread of activity across a range of BBC People processes and by type of activity - strategic, advisory, consulting and transactional.

We also prepared a financial scorecard that compared the efficiency and effectiveness of BBC People compared with a sample of UK service companies from both the public and private sector. A range of metrics were benchmarked including FTE per HR Department EFT and HR department costs per EFT.

Data contained within this report has been used to support the key findings and has been validated with the BBC on an ongoing basis throughout the duration of data collection and analysis phases.



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