

## **Governance Unit**

### **EXTERNAL VALUE FOR MONEY REVIEWS**

It is the responsibility of the Board of Governors, under the Royal Charter, to ensure that value for money is achieved by the BBC through its spending of the licence fee. In 2003 the BBC and the Government agreed an evolution in the Governors' oversight of value for money. As a result, the Governors' Audit Committee, in dialogue with the Comptroller and Auditor General – the head of the National Audit Office (NAO) – established a programme of independent value for money reviews. All the reviews have now been undertaken by the NAO or other external agencies and have provided the Governors with an independent view on whether the BBC is achieving best value for licence fee payers.

#### **Which areas have been reviewed?**

The Governors' Audit Committee agreed for the NAO to review six topics over the period 2004 to 2006. The studies that have been completed by the NAO are:

- § The BBC's investment in Freeview (2004)
- § The BBC's White City development: the second phase of the building project (2004)
- § Public service broadcasting: the BBC's performance management framework (2004)
- § Overhead definitions (2005)
- § Outsourcing arrangements (2005)
- § Risk management (2006)

In addition, the Audit Committee has commissioned non-NAO reviews as part of the Value for Money programme. To date, the following reviews have been completed:

- § Credit management operations (PricewaterhouseCoopers)
- § BBC People (PricewaterhouseCoopers)
- § BBC Property: LST partnership arrangements (Ernst & Young)
- § BBC independent television commissioning (Deloitte)

#### **Will the findings be made public?**

All value for money studies, that are part of this programme, have been laid before Parliament by the BBC Governors, together with the BBC response.

The following reports have been presented to Parliament:

#### July 2004

- § The BBC's investment in Freeview

#### July 2005

- § The BBC's White City development: the second phase of the building project
- § Public service broadcasting: the BBC's performance management framework
- § Credit management operations
- § BBC Property: LST partnership arrangements

#### April 2006

- § BBC People: human resource operations

#### July 2006

- § The BBC's definition of overheads

§ BBC Outsourcing: the contract between the BBC and Siemens Business Services for the provision of technology services

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§ The BBC's Management of Risk

§ BBC Independent Television Commissioning

#### **What studies are currently being undertaken?**

Risk Management and BBC Independent Television Commissioning are the last reports to be undertaken in the current three year programme of studies for the period 2004-2006.

As specified in the new Charter and Agreement, the BBC Trust will continue to commission VFM studies and work has already started between the BBC and the NAO on a proposed programme of value for money studies for the Trust to consider commissioning from January 2007 onwards.

#### **How are these studies different to the BBC's internal value for money reviews?**

The Governors' programme of value for money studies is undertaken by independent, external agencies which provide expert assessment for the Governors on whether BBC investments in specific projects, functions and processes are delivering value for money. The BBC's internal value for money programme is separate to this process and is examining how the BBC manages and organises its business and making the Corporation more efficient. Cost savings achieved through this exercise will enable an even greater proportion of each licence fee to be spent on programmes and less on overheads and administrative costs.

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