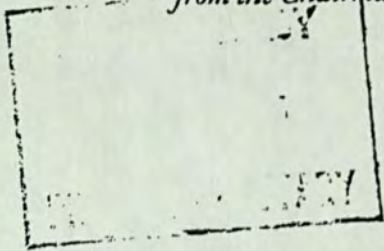


British Broadcasting Corporation, Broadcasting House, London W1A 1AA

from the Chairman, Stuart Young



4th April 1985

cc Mr Webber  
Mr Pike  
Mr Butler  
Mr Mower

Mr Coleman.  
Mr Eggeston

Mr Innes: frad u, pe

Dear Leon,

Thank you for your letter of 13th March about the form of the BBC's Annual Accounts.

As you know, the BBC believes that as a non-trading public service organisation, the present treatment of capital expenditure in its published accounts conforms to good accounting practice. Our external auditors continue to view the treatment of assets as appropriate and Peat Marwick and Mitchell also stated "we do not believe there are sufficient grounds to warrant change to the present policy". Peats also observed that for non-trading public service sector organisations the BBC's treatment of its capital expenditure was not unusual.

Given the degree of accord already reached by the professional accountants and the need to ensure that the general aspects of public accountability are given proper weight, I felt it wise to obtain an independent opinion. I support your wish to reach a speedy resolution of this problem. I have therefore agreed that the Director of Finance should approach Professor Andrew Likierman of the London Business School, who is well known for his work on improving public sector expenditure reporting.

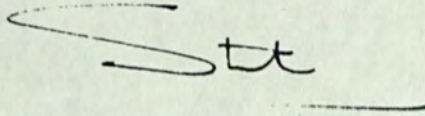
Professor Likierman will be asked to propose to us how best to meet the joint objectives of proper treatment of capital expenditure in our Annual Accounts whilst providing meaningful information to the general public about the use of licence fee income.

/continued



The Director of Finance will keep your officials and our external auditors fully informed and will arrange for them to see and discuss Professor Likierman's report before any changes are implemented.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'S Stt', with a horizontal line extending to the right from the end of the signature.

The Rt. Hon. Leon Brittan, Q.C., M.P.,  
Secretary of State for the Home Department,  
Home Office,  
50 Queen Anne's Gate,  
London, SW1H 9AT.