



File 116
cc Sir P Cadogan
Prof Griffiths

10 DOWNING STREET

From the Private Secretary

11 February 1986

REVIEW OF BBC EXTERNAL SERVICES

Thank you for your letter of 10 February about implementation of the Report of the Review of the BBC External Services.

The Prime Minister was grateful to be kept informed and is content with the proposed draft Parliamentary Question and Answer.

I am copying this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (H.M. Treasury), Stephen Boys Smith (Home Office) and Sir Robin Ibbs (Efficiency Unit).

CHARLES POWELL

Len Appleyard, Esq., C.M.G.,
Foreign and Commonwealth Office.

MANAGEMENT IN CONFIDENCE

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CCBG
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Foreign and Commonwealth Office

London SW1A 2AH

10 February 1986

Yes Mr
Prime Minister
Agree to
proposed Pp e Answer?
CDP
FLAP P11

Dear Charles,

Review of BBC External Services

Please refer to your letter of 4 February last year about the Prime Minister's wish to be consulted about the Government's reaction to the Report of the Review of the BBC External Services and my reply of 8 February.

You will recall that the Foreign Secretary had welcomed the Report in a letter of 1 February to the Chairman of the BBC Board of Governors, Mr Stuart Young, annexed to the Report itself, expressing support for the proposals intended to improve the efficiency, effectiveness and economy with which the External Services were run. In announcing the Report's publication during the Adjournment Debate on 4 February, Mr Renton also welcomed the Report in general terms adding that we were considering our response to it.

In the meantime, we have had intensive discussions at official level with the BBC and Treasury about interpretation and implementation of the Report's recommendations. We are glad to say that we have reached agreement with the BBC on an "Action Plan" (copy enclosed) setting out what has been done by way of implementing the Perry Report, such as the recent agreement on three year funding for the BBC, and what remains to be done. The Treasury and the Efficiency Unit have been kept fully in the picture throughout, and have endorsed both the terms of the Action Plan and the FCO's own "Implementation Report" (copy enclosed) which provides a more detailed account of the way in which the Perry Report is being translated into action.

The Foreign Secretary attaches importance to the effective and speedy implementation of the Report's recommendations, so as to ensure that the objectives of the Review are achieved; and the way is now clear to move ahead with this. He is confident that implementation of the Report's recommendations on the lines set out in the Implementation Report will meet the objectives of the Review and lead to real improvements in the efficiency, effectiveness and economy with which the BBC External Services are run.

/We regard



We regard implementation of the Report as a continuing process which will enable us to keep the activities of the BBC External Services under much closer scrutiny. As part of this process we are pursuing with the BBC three points of detail arising from the Report: implementation of the recommendations on staffing and pay; early implementation of the Case Study recommendations; and the revision of the Financial Memorandum. But as part of this process we would also expect to identify, with the BBC, further improvements in efficiency and effectiveness which go beyond the immediate scope of the Report itself. The Case Study recommendations, for example, should also lead to the establishment of procedures for a continuous programme of self-inspection and Activity Reviews.

In the circumstances the Foreign Secretary recommends that the time has come for the Government to indicate publicly that all parties concerned with the Review have now reached agreement in principle on the specific recommendations in the Perry Report and that considerable progress has been made on their implementation. Subject to the Prime Minister's agreement the Foreign Secretary proposes to answer an inspired PQ on the lines of the attached draft, the terms of which have been agreed by Treasury officials and the Efficiency Unit.

I am copying this letter to Joan Naughton (Lord President's Office), Rachel Lomax (Treasury), Stephen Boys Smith (Home Office) and Sir Robin Ibbs (Efficiency Unit).

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

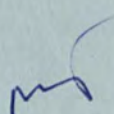
C D Powell Esq
10 Downing Street

Question

What action has the Government taken on the Report of the Review of the BBC External Services, which was published on 4 February 1985.

Answer

We have had intensive discussions with the BBC since the Report was published in February ^{1985.} A wide measure of agreement has been reached with the BBC on the Report's recommendations, including agreement on the central proposal for multi annual funding. The Government believes the Report provides a firm foundation for the future development of the External Services and that implementation of the Report's recommendations, on which considerable progress has already been made, will lead to real improvements in the efficiency and economy with which the External Services are run.



BROADCASTING
BSE
PT. 2



1984 REVIEW OF THE BBC EXTERNAL SERVICES - ACTION PLAN

Recommendation (Report para no)	Action to date	Responsibility/ Perry Target date to complete implementation	Action in next 6 months
4.8		FCO/BBC Feb 86	Prepare first report due in Feb 1986.
5.5		FCO/BBC Feb 88	None.
6.13	Being implemented in light of Prescription Committee conclusions.	FCO July 85	Complete implementation as priorities further refined by Prescription Committee.
6.21	Implemented as part of 7.13 and 7.14, with FCO posts abroad and the BBC providing more detailed assessments of effectiveness.	FCO Feb 86	Continue process of implementation as part of 7.13 (regular Prescription Committee meetings) and 7.14 (three year review programme of services and activities).
6.22	Implemented. First meeting of BBC/FCO Audience Research Committee held on 10 October.	FCO/BBC July 85	Determine forward programme of research.
7.8	Agreed and being implemented as part of 7.13 and 7.14. Transcription Service reviewed in September 1985.	FCO Feb 86	Continue process of implementation as part of 7.13 and 7.14 .
7.10	Being implemented as part of 7.13 and 7.14	FCO Feb 86	Continue process of implementation as part of 7.13 and 7.14
7.11	Implemented Dec 1984.	FCO July 85	None.
7.12	Being implemented as part of 7.14. Transcription Service reviewed in September 1985.	FCO July 85	Continue process of implementation. Detailed reviews of other prescribed activities being carried out as part of three year Rolling Review programme (See 7.14).
7.13	Implemented. Prescription Committee met in December 1984 and June 1985.	FCO Feb 86	Continue process of implementation.

1984 REVIEW OF THE BBC EXTERNAL SERVICES - ACTION PLAN

Recommendation (Report para no)	Action to Date	Responsibility/ Perry Target date to complete implementation	Action in next 6 months
7.14	Implemented. Detailed reviews of Russian and South East European Services held in July 1985 and Transcription Service in September 1985. Programme of individual reviews agreed with BBC to July 1986.	FCO July 85	Continue process of implementation. Further meetings of Rolling Review Committee to examine individual services and activities.
7.15	Implemented as part of 7.13 and 7.14. BBC have provided details of marginal costs for Prescription Committee and detailed reviews of services.	FCO/BBC July 85	Continue process of implementation.
7.16	Implemented. Information being provided by FCO to BBC on a regular basis.	FCO July 85	Review, in consultation with the BBC, the quantity and quality of information being supplied.
8.10	Revised draft Financial Memorandum, including increase in delegated financial levels and reference to NAO access to carry out economy, efficiency and effectiveness examinations, agreed with HMT in September 1985.	FCO/BBC/ HMT July 85	Reach agreement on a revised Memorandum with BBC and implement it.
8.14	These requirements, agreed in principle by the BBC, are set out in the revised Financial Memorandum (See 8.10).	BBC July 85	Implementation when agreement reached on revised Financial Memorandum (See 8.10).
9.17	Implemented. Agreement reached between FCO, BBC and HMT on levels of current and capital funding for three years to 1987-88.	FCO/BBC/ July 85	None.

1984 REVIEW OF THE BBC EXTERNAL SERVICES - ACTION PLAN

Recommendation (Report para no)	Action to Date	Responsibility/ Perry Target date to complete implementation	Action in next 6 months
9.20	Agreed. First applicable to end 1985/86 figures.	FCO/BBC/ July 85	None.
10.22	Being implemented. A revised budgetting system being introduced taking into account the agreement on multi-year funding (see 9.17).	BBC Feb 86	Complete implementation with introduction of a revised budgetting system.
10.33	Implemented. Resource management training programme established. Some managers have already attended courses.	BBC Feb 86	Continue process of implementation.
10.36	Implementation being studied in detail. Appropriate computer systems being designed and developed.	BBC Feb 86	Continue process of implementation with gradual introduction of expanded costing system.
10.43	Monthly forecasts requested by Chief Accountant External Services from Chief Accountant Engineering, Domestic Services.	BBC July 85	Reach decision. Provision of monthly forecasts likely to require changes in Corporate accounting practice and policy.
10.59	Implemented. CSAC met on 21 Aug 1985.	FCO/BBC/ Feb 86 HMT/Home Office	Follow-up to first CSAC meeting.
11.12	Being implemented in accordance with overall BBC practices.	BBC Feb 86	Continue process of implementation.
11.14	Being implemented in accordance with overall BBC practices.	BBC Feb 86	Continue process of implementation.

1984 REVIEW OF THE BBC EXTERNAL SERVICES - ACTION PLAN

Recommendation (Report para no)	Action to Date	Responsibility/ Perry Target date to complete implementation	Action in next 6 months
11.20	Being implemented in accordance with BBC practices by line managers as part of the annual staff appraisal procedures. These procedures are themselves under review by the BBC.	BBC Feb 86	Continue process of implementation.
11.22	Need for closer control of staff resource allocation agreed in principle. Method of implementation under active consideration by Controller Resources and Administration (CRAXB).	BBC July 85	Complete consideration in light of four detailed BBC Activity Reviews led by outside management consultants due to be completed in next six months and bearing in mind likely cost of establishing group (estimated by Perry to be about £60,000 a year).
12.3) 12.5)	New post of Controller Resources and Administration (CRAXB) created.	BBC July 85	Further develop role of CRAXB in resource management.
13.15	Being implemented. Draft memorandum on capital expenditure responsibilities incorporated in revised Financial Memorandum agreed with HMT (see 8.10).	FCO/BBC/ HMT July 85	Reach agreement on Financial Memorandum with BBC and implement it (see 8.10).
13.17	Being implemented. Appropriate reference incorporated in memorandum on capital expenditure responsibilities at 13.15.	FCO/BBC/ HMT July 85	Reach agreement on Financial Memorandum with BBC and implement it (See 13.15 and 8.10).

1984 REVIEW OF THE BBC EXTERNAL SERVICES - ACTION PLAN

Recommendation (Report para no)	Action to Date	Responsibility/ Perry Target date to complete implementation	Action in next 6 months
13.18	Being implemented. Transmitter sharing opportunities regularly reviewed by BBC with other external broadcasters.	FCO/BBC Feb 86	Establish procedure for regular joint review of opportunities for sharing transmitters with other external broadcasters as part of Prescription Committee (7.13), Rolling Review programme (7.14) and capital expenditure reviews (13.23).
13.20	Implemented. Committees chaired by Controller Resources and Administration (CRAXB) established.	BBC July 85	Continue process of implementation.
13.21	Implemented as part of 13.20.	BBC July 85	Continue process of implementation.
13.23	Being implemented as part of CRAXB's responsibilities.	BBC Feb 86	Continue process of implementation.
13.24	Agreed in principle. Timing of BBC annual review being actively considered to tie in with PES cycle.	BBC/FCO Feb 86	Agree timing of BBC annual review.
14.5	Agreed in principle.	FCO in 1990/91	None. Timing of review to be considered in light of progress on modernisation programme, which is due to be completed in 1991.
14.15	Some savings already made, other proposals being actively studied in line with timetable suggested in the Case Studies.	BBC over several years	Continue process of implementation. Further study and implementation, as appropriate, of proposals identified in Case Studies.

Information Department
Foreign and Commonwealth Office

25 November 1985

REVIEW OF THE BBC EXTERNAL SERVICES

REPORT BY THE FOREIGN AND COMMONWEALTH OFFICE

INTRODUCTION

1. Mr Renton announced publication of the Perry Review Report on 4 February 1985 during an Adjournment Debate in the House of Commons on the BBC External Services.
2. During subsequent detailed discussions the BBC accepted without demur the majority of recommendations. However, they took the line that implementing certain recommendations would infringe their editorial independence and managerial responsibilities, and made considerable play in this context of the exchange of letters between the Foreign Secretary and the Chairman of the Board of Governors attached to the Review. They objected in particular to aspects of Chapter 7 (Determination of the Prescription), Chapter 11 (Staffing and Pay) and Chapter 12 (Resource Control). However, after intensive examination of these points, the BBC have now accepted in principle all the Review recommendations other than those relating to "Resource Control" or involving constraints imposed on the External Services by overall Corporation policy and practice, on which they have proposed solutions which, in the FCO's view, meets the spirit, if not the letter, of the Review. We are confident that implementation of the Report's recommendations, on the lines set out in the following summary, will meet the objectives of the Review and lead to real improvements in the efficiency, effectiveness and economy with which the BBC External Services are run. The attached Action Plan indicates the progress made in implementing each recommendation.

THE REPORT'S RECOMMENDATIONS

3. The Review Report itself makes 38 recommendations on the External Services as a whole. Some of these will have far reaching consequences for the BBC and for the relationship between the FCO and the External Services. The unpublished volume of Case Studies attached to the Report looked at selected External Services' activities, making a further 57 detailed recommendations, which if implemented in full could, over the next few years, result in annual savings, the Report anticipates, of up to £1.6 million. Most of the recommendations associated with the Case Studies deal with administrative and procedural matters, and will be largely for the BBC alone to implement, though the FCO will be monitoring their implementation closely.
4. The recommendations fall broadly into eight categories:
 - i Managing the Prescription

MANAGEMENT IN CONFIDENCE

- ii Improving FCO financial monitoring procedures
- iii Funding
- iv Financial Control within the External Services
- v Staffing and Pay in the External Services
- vi Resource control
- vii Appraisal and monitoring of capital projects
- viii Savings

MANAGING THE PRESCRIPTION

5. The Report recommends that the FCO and the BBC should review the objectives of the External Services every three years (paragraph 5.5). Prior to the review no formal statement of objectives existed. We agreed objectives with the External Services for inclusion in the Report at Annex 7. We consider this to have been a valuable result of the review. The objectives are now the corner-stone of the prescription, and it makes sense that they should be subjected to periodic review.

6. The recommendations in Chapter 6 concerning audience research are generally sensible. In accordance with paragraph 6.13 the FCO will identify a set of categories which more clearly identifies the relative priorities of target areas. Paragraph 6.21 recommends that the FCO and BBC should seek information to measure the External Services' performance more clearly against the agreed objectives. Action on this recommendation is linked with other recommendations, including that in paragraph 6.22, which proposes the establishment of a committee to determine a forward programme of audience research, and those in Chapter 7 proposing the detailed examination of individual External Services activities against a set of criteria which include the assessment of target and actual audiences. The proposal on audience research (paragraph 6.22) is particularly welcome and a BBC/FCO Committee met in October to consider the BBC's programme of research in 1985/86 and 1986/87. The FCO have hitherto played little part in the forward planning of audience research projects, which have not always been conducted in countries where we would regard audience information to be of greatest importance. We also welcome the opportunity to influence the type of questions asked in surveys so as to improve the knowledge of the type of programmes (eg news, commentary, music etc) for which listeners are turning to the BBC. It should be noted, however, that in some of the countries which we regard as being of greatest priority for the External Services, eg Eastern Europe and other "closed" societies, accurate audience research is impossible.

7. The main proposals concerning management of the prescription are contained in Chapter 7. We recognise, there is a need for the management of the prescription to be put onto a more systematic basis; the recommendations should answer this need. We have already made considerable progress in implementing them. A Prescription Committee has been established. It has met twice, in December 1984 and June 1985 under the chairmanship of the Under-Secretary supervising Information Department, and is to meet henceforth at six-monthly intervals. Perry recommended an annual prescription review; the biannual one is in the nature of an experiment. The External Services cooperated fully in the preparations for the meetings, and submitted a large volume of material. The Committee scrutinised the entire pattern of External Services activities, as required in paragraph 7.13, on the basis of assessments submitted by posts and geographical departments against the criteria listed at the end of Chapter 7. The December 1984 meeting recommended some changes which have been discussed with the Managing Director of the External Services, approved by FCO Ministers and implemented. The conclusions of the June 1985 meeting are being followed up in the same way.

8. We welcome the recommendation in paragraph 7.14 that a committee should be established under the chairmanship of an Assistant Secretary (the head of FCO Information Department) to review in detail, on a rolling basis and over a period of three years, all BBC services and activities. Although a heavy task for Information Department, we are confident that with the cooperation of the BBC we shall be better able than in the past to monitor programme content, to assess the impact of individual activities and to advise the Prescription Committee on opportunities for change and improvement. The first meeting of this Committee was held in June, at which the Russian and South East European Services were reviewed with the BBC. The next language service to be reviewed will be the Far Eastern Service in December and a timetable for the review of other Services has been agreed to July 1986.

9. The FCO and BBC accept the principle of the recommendation (paragraph 7.8) that the FCO should prescribe the output of activities such as the Transcription Service, Topical Tapes and English by Radio. In practice, these activities do not lend themselves to prescription in the same way as straightforward broadcasting services, but we accept it is desirable that their output should be more firmly controlled and more closely scrutinised by the FCO. We are devising, with the BBC's help, suitable procedures for this based on a modified version of the criteria set out at the end of Chapter 7 (as recommended in paragraph 7.12) and Case Study I. This will include an annual review of trading accounts. The first activity to be reviewed was the Transcription Service in September.

10. The BBC accept the principle of the recommended procedures for reviewing the prescription (paragraph 7.10), but they are concerned that aspects of these procedures could constitute an infringement of their editorial independence and managerial responsibilities. They accept the FCO has every right to look at and question all aspects of services and activities provided it is clearly understood that matters of programme content are ultimately for the BBC to decide. The External Services have said they will listen to FCO ideas and suggestions about programme content, but they would regard any instructions from the FCO on this as unacceptable interference in the editorial independence and managerial responsibilities of the BBC, and contrary to the position reaffirmed in the Foreign Secretary's letter of 1 February 1985, to the Chairman of the BBC, which is attached to the Review. We consider this is as far as the BBC can reasonably be pressed on the recommendations in Chapter 7. In practice we expect the BBC to take a constructive attitude, as they have in the past, to FCO comments about programme content. Moreover, the BBC are well aware the FCO have the ultimate sanction on a particular service through exercise of prescriptive responsibilities for all output. We are therefore confident the objectives of the Review for the prescription can be met.

11. Action has already been taken on the Report's recommendation (paragraph 7.16) to improve the flow of information from the FCO to the BBC. This is being monitored to ensure it is working satisfactorily.

IMPROVING FINANCIAL MONITORING PROCEDURES

12. As recommended (paragraph 8.10), the existing Memorandum on the External Services finance and principles governing expenditure is being revised and updated to include inter alia a description of the financial and management control systems adopted by the BBC and FCO and, in relation to the latter, a clear statement of the responsibilities of the FCO's Accounting Officer.

13. The BBC have agreed, with only minor modifications, to provide the FCO with the financial and management information recommended in the Report (paragraph 8.14). Receipt and analysis of this information will be geared to the Estimates and PES cycles and should enable the FCO to discharge its responsibilities for administering the grants-in-aid in accordance with the terms of the Memorandum.

14. The Report refers to the position in the Memorandum of the Comptroller and Auditor General (paragraph 8.9) and the BBC's reluctance to allow value for money examinations to be carried out. The BBC can be expected to resist any reference to economy, efficiency and effectiveness examinations in the revised Memorandum on the grounds that

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MANAGEMENT IN CONFIDENCE

the BBC is specifically excluded from the terms of the National Audit Act 1983 by virtue of Section 7(4). It is, however, arguable that Section 6(3)(d) of the Act should apply to the External Services and it is the FCO's intention to use the passage in the Report to seek access for the National Audit Office to carry out such examinations. The NAO have agreed that this should take place at a time when it may be possible to judge better the effects of implementing the Report's recommendations. The FCO have told the NAO that their request for the Foreign Secretary to use his influence with the BBC on their behalf will be dealt with on this basis.

FUNDING

15. A central recommendation in the Report is that the grants-in-aid to the External Services should be set for a three-year period in step with the Licence Fee (paragraph 9.17). This proposal has been welcomed by the BBC and the FCO and accepted by the Treasury. Detailed arrangements for implementing this recommendation have been agreed between the Treasury, FCO and BBC. The Report also recommends (paragraph 9.18) that the External Services be allowed increased flexibility of 10 per cent between years on capital expenditure. This has been accepted by the Treasury. The advantages of multi-year funding are that it will avoid annual haggles in the Public Expenditure Survey and should enable the External Services to plan ahead more efficiently and effectively.

FINANCIAL CONTROL WITHIN THE EXTERNAL SERVICES

16. The External Services have accepted in principle the proposals in Chapter 10 of the Report for improving budgeting, resource management training, costing and cash forecasting. They accept the need for a revised budgeting system (paragraph 10.22) although it may not turn out to be wholly practical or cost effective to introduce a system as detailed as that proposed in the Report. The External Services agree that the present costing system should be expanded (paragraph 10.36) to increase user awareness of the resources being consumed and appropriate computer systems are being designed and developed for this purpose. They are, however, unlikely to wish to charge transmitter costs to output units because it is important that allocation of transmitter time remains the responsibility of management not individual services. The Chief Accountant External Services has asked the Chief Accountant Engineering to provide monthly forecasts of capital expenditure (paragraph 10.43). It is not current corporate accounting practice to provide this information and a change in Corporation policy may be necessary to implement this proposal.

17. The Common Services Apportionment Committee has met as recommended in the Report (paragraph 10.59) and the FCO are seeking further information from the BBC to satisfy

/themselves

MANAGEMENT IN CONFIDENCE

themselves that the shared costs of central BBC directorates being charged to the External Services are calculated according to the agreed principles.

STAFFING AND PAY IN THE EXTERNAL SERVICES

18. The External Services agree in principle the need for closer control of staff resources proposed in Chapter 11, although they have pointed out that the proportion of staff in the External Services who receive special awards is significantly lower than in other Corporation Directorates. They have also pointed to the basic difference between job descriptions as understood in Whitehall, which allow changes to and flexible interpretation of responsibilities within a particular grade, and those in the BBC, which are called role specifications, form part of the pay relativities and union negotiation processes, and are relatively inflexible. A change in the responsibilities of a particular job in the BBC may well lead to a change in job grading and any attempt to lay down a procedure which is too hard and fast could stifle the limited flexibility that currently exists. Staffing and pay in the External Services is, however, governed by corporate personnel policy. The recommendations are therefore being implemented in so far as this is consistent with present corporate policy, but they have been brought to the attention of the Corporation's Director of Personnel to see whether any changes should be made in corporate policy.

19. The External Services agree that Discretionary Salary Elements (paragraph 11.12) should be reviewed. In future these will be reviewed and scrutinised annually as part of the procedure covering annual appraisal reports. The award of Special Personal Salaries (paragraph 11.14) will also be reviewed annually and scrupulously by the Managing Director External Broadcasting under the general supervision of the Corporation's Director of Personnel. The Report also recommends (paragraph 11.20) job descriptions should be agreed for each job holder. The External Services have accepted that the established procedure of annual reports on each job holder will include a description of the responsibilities of the job agreed by the job holder and his or her line manager. This recommendation is being considered in the context of the current corporate review of the BBC annual reporting system. The FCO understand the constraints imposed on the External Services by Corporation policy and practice, but we believe the way the External Service propose to implement these recommendations meets the intentions of the Review.

RESOURCE CONTROL

20. The External Services accept the need for more precise control of resources proposed in Chapter 12 of the Report. The Board have, however, taken the view that the Deputy Managing Director is not the proper post to exercise this

/responsibility

responsibility as recommended in the Report (paragraph 12.3). In the Board's view, exercising its responsibility for management of the External Services, there was a need for a single Deputy, who was part of the main editorial chain of command and who would be able to take over whenever required. They therefore decided that the responsibility for use of resources should be vested in the new post of Controller Resources and Administration, which replaces the post of Controller Administration. Mr Witherow, former General Manager of the BBC Monitoring Service, was appointed to fill this post in May. Mr Witherow is directly accountable to the Managing Director for the responsibilities set out in the Report (paragraph 12.4). He has specific senior responsibility as Head of Establishment of the whole of the External Services, excluding only Engineering and Monitoring. Mr Witherow is looking into the establishment of a special staff resource allocation group (paragraph 11.22). A decision will be taken on how to implement this proposal after considering the conclusions of four Activity Reviews currently by being carried out and bearing in mind the cost of establishing a group, which the Report estimated at about £60,000 a year.

21. The FCO understand the reasons why the BBC have decided to implement the recommendations in this way and we believe this meets the intentions, if not the letter, of the Review. We shall monitor the way in which the new post of Controller Resources and Administration is working.

APPRAISAL AND MONITORING OF CAPITAL PROJECTS

22. The FCO has prepared a draft memorandum on responsibilities for capital projects (as recommended in the Report (paragraph 13.15)) which will be incorporated into the revised financial memorandum (see paragraph 12) as an annex. The External Services will give consideration to the full range of practical alternatives at all stages capital projects are being considered (paragraph 13.17). The External Services and FCO will establish a procedure for the regular review of possibilities for sharing overseas broadcasting facilities with others (paragraph 13.18), but the BBC have pointed out that the opportunities are limited. The recommendation about a major projects Steering Committee (paragraph 13.20 and 13.21) have been accepted by the BBC. The new Controller, Resources and Administration will chair the Steering Committee and be responsible for coordinating an annual review of External Services' capital expenditure over the next five years (paragraph 13.23). This procedure will be integrated with the annual PES discussions to keep the FCO and Treasury informed of progress on existing schemes and possible future bids for capital expenditure (paragraph 13.24).

23. The analysis of capital expenditure and the consideration of options proposed in Chapter 13 of the

/Report

Report may require a degree of technical expertise which is not available in the FCO (DW), particularly after the transfer of the FCO Broadcast Group to the BBC in 1986. The FCO may then need to have recourse to expensive outside advice, where such exists in the highly specialised field of external broadcasting.

SAVINGS

24. Savings will occur as a result of implementing the recommendations made in the Case Studies of individual services (Chapter 14) and similar studies which the BBC are expected to undertake in those areas not covered by the Review. The Report estimates that net savings of £1.6 million during the next few years could be made in areas covered by the Case Studies. The BBC have accepted and implemented some of these recommendations. As indicated in the Case Studies others are to be implemented over a number of years, but the BBC have told us they regard some of the recommendations as impractical or involving unacceptable reductions in quality. We shall press them, but we doubt whether the full savings identified in the Report will be realised e.g. the BBC contend that a saving of £447,000, resulting from the rationalisation of transmitter staff at Rampisham, has already been taken into account. The Report identified other Savings to be achieved over a shorter period (£600,000 over 12 months), but given the need for advance notice, severance payments etc, these are unlikely to begin to have appreciable effect much before 1986/87. It is also relevant that the External Services are finding £1.2 million savings in 1985 as a result of decisions in the 1984 PES, a sum greater than that identified in the Review for that year. Additionally they are being required to absorb overseas risen costs estimated at £800,000 in 1985/86. There may be scope for additional savings to be realised from study of those areas not covered by the Case Studies. These savings are likely to be smaller as the studies will mainly cover smaller cost centres, even in common service expenditure shared with the rest of the Corporation where it will be difficult to identify or isolate potential savings. We shall continue to pursue rigorously opportunities for savings and keep up pressure on the BBC to find them in all areas of the External Services' activities, paying particular attention to the External Services' own in-house inspections, their programme of Activity Reviews, staff resource control mechanisms and our own detailed reviews of individual services and activities.

MONITORING SERVICE

25. The Report recommends (paragraph 14.5) that the Monitoring Service should be the subject of a review. This will be carried out towards the end of the current modernisation programme which is due to be completed in 1991.

Information Department
Foreign and Commonwealth Office

25 November 1985