

Mr Fall

cc: Mr Clark, Information Dept

POSSIBLE REVIEW OF BBC EXTERNAL SERVICES

1. In 1982 the House of Commons Foreign Affairs Committee commented on the problem which arose from the cash limits applied to the BBC External Services' grant-in-aid, whilst pay for the BBC as a whole outstripped the Treasury's inflation factors. FCO, Treasury and Home Office officials have tried in vain to find a solution to this problem. One idea put forward by FCO was that if External Services pay could be exempt from the cash limit process there could be an efficiency review of the External Services to ensure there was no abuse of this exemption and that full value for money was being obtained for the grant-in-aid.
2. The idea of a review was endorsed in principle by FCO Ministers in the summer of 1983 and warmly supported for its own sake by the Treasury. During 1983 the idea was put informally to the BBC as a possible quid pro quo for solving the pay shortfall problem. The BBC initially reacted negatively, saying that they had undergone several reviews culminating with that by the CPRS in 1977. But we pointed out that the previous review in 1974 by the then Civil Service Department (a similar review to the one we now have in mind) had given the External Services high marks for efficiency and we believed a further demonstration of this would be of benefit to the BBC as well as the FCO.
3. In recent months the BBC External Services have appeared to be more enthusiastic about a review. They have suggested that its terms of reference could be widened from financial considerations to embrace new technology, such as possible expansion of the overseas services into the television field. In the last few days, FCO, Treasury and MPO officials have agreed terms of reference based on a draft approved by Mr Whitney. A submission is about to go to Mr Whitney proposing that a letter be sent to Mr Muggeridge, Managing Director of the External Services, putting forward the proposed terms of reference and suggesting a 3-man enquiry team headed by Treasury with representatives from BBC and FCO. This would be guided by a

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Steering Committee chaired by the BBC with Treasury, FCO and MPO representatives.

4. We believe that if handled carefully such a review would be acceptable to the BBC. We would not envisage any public announcement nor publication of the report. However, we would expect the BBC to make an announcement to their own staff and FCO and Sir Robin Ibbs are keen to include the enquiry in a list of activities in 1984/85 in the context of the Government's Financial Management Initiative.

5. The review is in no way intended to lead to further cuts. Instead we wish to ensure value for money, whilst if possible finding a solution to the pay problem.

*K G MacInnes*

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