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10 DOWNING STREET

*From the Private Secretary*

30 July 1984

Dear Hugh,

Review of Value for Money in the  
BBC Home Service

Thank you for your letter of 27 July, which the Prime Minister saw over the weekend. She has taken note that Peat, Marwick Mitchell and Co. will be undertaking a "value for money" inquiry for the Board of Governors of the BBC, at the Home Secretary's suggestion, and that the object is to complete this review by the end of the year. Copies of this letter go to the other recipients of your letter.

Yours ever,  
Dad

(David Barclay)

Hugh Taylor, Esq.,  
Home Office

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HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

27 July 1984

Dear David,

Mr Marks

REVIEW OF VALUE FOR MONEY IN THE BBC HOME SERVICE

On Friday last the BBC announced that the Board of Governors had agreed to a request by the Home Secretary that there should be a "value for money" inquiry by independent consultants into the BBC's domestic broadcasting services. I gave you advance notice of this announcement, which was brought forward because the Press had got wind of the project (and which in the event attracted little publicity). I am now writing at the Home Secretary's request to explain more fully what is proposed.

In considering how to handle, later in the year, the BBC's expected approach regarding a new licence fee to take effect from spring 1985, the Home Secretary formed the view that it would be of great advantage for there to be, alongside the BBC's proposals, an independent and expert assessment of the scope for providing the existing services at their present standard but at lower cost through increased efficiency in the use of resources. Given the constitutional position of the BBC Board of Governors, such a study would desirably be carried out on their initiative, provided that they and the Home Secretary were agreed on the sort of approach that would help. Various forms of efficiency review are, of course, no new thing to the BBC: at the time of the last licence fee settlement in 1981 the Board of Governors, at the prompting of the then Home Secretary, instituted a review of the systems by which the BBC monitors its efficiency, and there followed a number of case studies; and recently the Corporation of its own initiative has instituted a programme of Activity Reviews which will study objectives department by department and examine whether they are being attained in an effective and economical manner. However, what the Home Secretary has in mind is an examination of the scope for increased value for money, to be carried out within such a time scale that its findings can be available before the time comes for a decision to be taken on the next licence fee.

The Home Secretary put this proposal to Mr Stuart Young last week; it found favour with him and, subsequently, with the Board of Governors at their meeting on 19 July. The Home Secretary indicated that he was content to leave the choice of consultant to the BBC, in consultation with the Department; and they have now approached Peat, Marwick Mitchell and Co, a firm of high reputation with experience of working (*inter alia*) for the BBC and other broadcasting bodies, whom the Home Secretary regards as an entirely suitable choice. The BBC, and Home Office officials, have already been in touch with Peat Marwick regarding the form that the review could most usefully take in the limited time available, and terms of reference should be settled shortly. The object is to complete the review by the end of the year. Its report will be submitted to the Board of Governors and the Home Secretary simultaneously.

/The

David Barclay, Esq

The Home Secretary believes that a review of this kind, even though time must limit its scope to some extent, will provide a useful input to the final licence fee discussions and a helpful assurance to him, other Ministers and Parliament at that time.

A Parliamentary Question, for priority written answer today, will afford an opportunity for some of the explanation above to be placed on the Parliamentary record.

I am sending a copy of this letter to the Private Secretary to the Chancellor (Home Office officials have already been in touch with Treasury officials); the Private Secretary to the Foreign Secretary; and to Sir Robert Armstrong.

Yours ever,

Hyt

H H TAYLOR

Friday, 27th July, 1984.

Written No. 52

W Mr. Tony Banks (Newham North West): To ask the Secretary of State for the Home Department, why he has set up an inquiry into the running of the British Broadcasting Corporation; what individuals will be involved in the inquiry; when the report will be ready; and to whom it will be made.

MR. DOUGLAS HURD

Under the terms of the existing licence fee settlement, the BBC is required to live within the income provided until 31st March 1985. We therefore expect, later in the year, to receive from the BBC an application regarding a new licence fee. In considering how then to proceed my rt. hon. and learned Friend formed the view that it would be of great advantage for there to be, alongside the BBC's application, an independent and expert assessment of the scope for the BBC to provide their existing services at their present standard but at lower cost through increased efficiency in the use of resources. The Board of Governors have accepted this proposal, which is in line with their continuing concern that the Corporation should be run efficiently and effectively and with proper regard to financial discipline. The inquiry will be carried out by independent consultants appointed by the BBC, and the Corporation will be consulting with us to establish agreed terms of reference. The consultants' report will be submitted simultaneously to the Board of Governors and to the Home Secretary, we hope by the end of this year.

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27 JUL