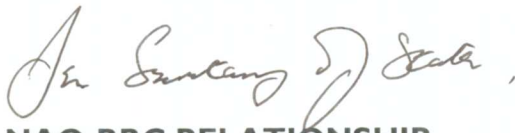


From the Chairman

The Rt Hon Jeremy Hunt MP
Secretary of State for Culture, the Olympics, Media & Sport
Department for Culture, Media & Sport
2-4 Cockspur Street
London
SW1Y 5DH

16 May 2011



NAO-BBC RELATIONSHIP

When we met on May 9, you mentioned the concerns that the C&AG had raised with you about working relationships between the NAO and the BBC.

My understanding is that a good deal has been done by both Trust and Executive to improve and re-structure this relationship over the past eighteen months or so, and I have enclosed a summary of the progress we have made. We have greatly increased the level of routine access to BBC management information, additional to whatever is requested for specific value for money studies. We have confirmed that the NAO will have access to confidential contracts with third parties where they form part of any individual study. We have increased the frequency and range of regular meetings that the NAO has with BBC staff, and we have put additional planning and resources into the process through which the programme of future studies is developed.


I also know that one of the features of past NAO work in the BBC has been the Trust's willingness to step in and help resolve specific issues about the NAO's access to or use of information. In the future, I hope that there should never be such an issue, given that the text we have already cleared for inclusion in the amended Agreement provides a general right of access for the NAO to any information it requires, either for a given value for money study or for the purpose of selecting areas for future studies.

Nevertheless, I would like to add a further idea that could help to improve our working relationships. We could create a joint Trustee-NAO working group to support the NAO's value for money work and to provide a straightforward way of resolving any day-to-day issues that the NAO wishes to raise. This group could meet regularly, perhaps once a quarter, and could request BBC Executive attendance whenever that was necessary. This is the sort of model that has worked well for the Trust in codifying and developing its relationship with Ofcom around Public Value Tests, and I believe it could help here too.

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If you agree that this is an idea worth pursuing, I am more than happy to discuss it with the C&AG direct. I trust that you now have sufficient evidence of my commitment to give the NAO full access to BBC information, to add to the change the Trust has already agreed that would allow the C&AG to make the decisions about which value for money studies form part of the NAO's annual programme. I hope we can now proceed to finalise the necessary amendments to the Agreement on the terms I set out in our meeting.

To re-cap, while I do not agree that the NAO should have unlimited rights to launch ad hoc value for money studies outside its annual programme, I would be happy to allow new studies to begin mid-year as long as Trust approval was granted. I would be happy to confirm that we would operate on the presumption that such approval would be forthcoming. I would also be ready to discuss alternatives if you think a different approach is needed.

A handwritten signature in black ink, appearing to read 'Jeremy Hunt', with a large, stylized flourish below it.

Lord Patten of Barnes CH
Chairman, BBC Trust

Enc

NAO-BBC relationship – summary of progress

In January 2010, the then Chairman of the BBC Trust proposed improvements to the relationship in three areas, in a letter to the C&AG. Progress is reported below under these three headings:

- NAO routine access to BBC management information
- A more structured relationship between NAO and Trust
- Access to confidential contracts with third parties

1. NAO routine access to BBC management information

We have made sure that the quarterly financial performance reports received by the Trust are passed to the NAO.

We have provided the following information to NAO officials through the BBC Executive:

- all risk registers/reports;
- all Executive Audit Committee papers and minutes;
- all internal audit papers, reports and forward programme; and
- full minutes of all Executive Board meetings.

Where the NAO would like to see any specific Executive Board paper, it is now able to request it from the Trust Unit – with a presumption that it would be released unless there was a clear justification for not doing so. No request has been refused.

2. A more structured relationship between the NAO and the Trust

We have put more structured ways of working in place including, in particular:

- quarterly Trust/NAO meetings at official level;
- quarterly meetings for the NAO with the BBC's Chief Financial Officer;
- regular access to other members of the BBC Executive Board;
- regular access to the BBC's financial auditors, KPMG;
- a programme of BBC induction and shadowing for key NAO officials
- a revised, re-structured process for determining the areas for future NAO value for money work, including workshops with senior Trust officials and formal discussions with the lead Trustee.

3. Access to confidential contracts with third parties

The BBC has confirmed that it classes the NAO as a 'professional adviser' to the BBC, with rights of access to the vast majority of existing talent and rights contracts and a guarantee of access to all future significant contracts.

The Trust disseminates this point to all relevant staff at the beginning of each NAO study.