

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

25 March 2011

Dear Jeremy,

NAO ACCESS TO THE BBC

I wanted to follow up the phone conversation we had yesterday on this subject with a note that tries to summarise the position we have reached and makes a suggestion for how we might move forward with the rest of the work to amend the BBC Agreement.

You expressed a concern that the appropriate degree of transparency in the BBC-NAO relationship can only be secured by an arrangement where the C&AG is able to amend the NAO's programme of value for money studies as he sees fit, at whatever point in the year.

I take a different view. We agreed a way forward on NAO access last September that gave the NAO a new generalised right of access to BBC information, with the freedom to decide which value for money studies they undertake. I think this is a high degree of transparency. It chimes with the emphasis the Trust has placed on openness and public engagement in its own decision-making and the steps we have taken to increase the BBC Executive's transparency around its budget, future investments, performance measures, pay and expenses.

On the specific issue of NAO access, the Trust was clear, including in exchanges between our officials in September, about the terms on which we were happy to change the system.

In order to ensure we can fulfil our Charter responsibilities for the stewardship of the licence fee, we said we wanted to retain the Trust's ability to appoint other VFM advisers, separately from the NAO, to conduct particular studies in areas that do not feature in the NAO programme. We said that we would therefore want to include in the Agreement a requirement that the NAO should consult the Trust at the start of each year on its intended annual work programme. That would allow the Trust to have a say in the design of the NAO programme and consider what additional studies it might want to commission separately.

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Immediately before the announcement of the new NAO-BBC arrangements we became aware that the NAO itself objected to one element of this package – the requirement for an annual programme. Since then, we have held a series of discussions with the Department and with the NAO, in the course of which we have tried to understand the nature of the NAO's objection and explore different ways of dealing with it.

If the concern is about giving the NAO more flexibility to plan its work, we would be happy to agree to a system involving a rolling, three-year programme of studies that the C&AG could pick or choose from in-year.

If the concern is about the NAO's ability to change tack within year to address changing circumstances or priorities, then we would be happy to give the C&AG complete freedom to suggest new areas of work, provided he agreed any new study with the Trust. We would also agree to make such exchanges public, if there was any concern that the Trust's involvement could undermine the transparency of the set-up.

However, if the concern is about giving the NAO the capacity to dip into the BBC in problem-solving mode, I am more concerned about the risk of unintended consequences. The immediate responsibility for responding to any area of specific public concern about value for money at the BBC must remain with the Trust, and we have capable internal and external auditors ready to help deal with any short-term work around financial controls.

The NAO has a very important role to play in helping the BBC to understand systemic issues and to learn lessons for the long-term, but that is a different sort of responsibility. In our view, value for money work is most effective when it is planned carefully to ensure it makes best use of auditors' time and skills and to limit any disruptive effect on the areas under scrutiny. We therefore believe that the C&AG's decisions on value for money studies should continue to be determined within the framework of a structured annual work programme. This would allow the Trust to plan effectively and would also avoid the risk that if the NAO engages in open-ended inquiries they could be perceived as being politically inspired.

Next steps

You will need to continue the discussion about the NAO with Lord Patten. I hope there is an agreement to be reached that satisfies the objectives of both the Government and the Trust.

I would like nonetheless to be able to conclude the signing of the rest of the amending Agreement that is necessary to implement the licence fee settlement we agreed last October – since I believe we have now reached a common position on all the key issues and I know that our officials have been exchanging near-final drafts. I mentioned in our phone call that I think there is now a clear way through on the outstanding points around future funding and the partnership with S4C.

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I would suggest, therefore, that we try to conclude the process of signing the Agreement by the end of April. If you agree, I hope our officials would be able to submit the final documentation to us within the next week.

I am sending a copy of this letter to Lord Patten.

A handwritten signature in black ink that reads "Michael". The script is cursive and fluid.

Sir Michael Lyons
Chairman, BBC Trust