

From the Chairman

Mark Thompson
BBC Director-General
Room 5126
White City

25 February 2010



VALUE FOR MONEY FROM BBC CAPITAL PROJECTS

With the publication today of the report commissioned by the BBC Trust from the National Audit Office on the management of major estate projects, I am writing to you to underscore some of the wider lessons from the Trust's consideration of the issues raised and to set you an agenda for ensuring that they are effectively applied.

Let me start by making plain the Trust's view that initial planning and control arrangements for the first phase of the Broadcasting House project were unacceptable. They showed significant weaknesses and shortcomings, and must never be allowed to happen again. I acknowledge that these problems arose under previous regimes. The new Charter more clearly establishes the respective responsibilities of the Trust for ensuring value for money for licence fee payers at the strategic level and for the Executive Board for operational management, and this provides a clearer framework for management of such issues in the future.

Since the Trust's inception, we have required regular reports from you on the actions you have taken to strengthen and reform the structures, processes and monitoring of the BBC's property and other capital projects. I am encouraged that, under your leadership, the management of capital projects has improved; and the NAO report provides some direct independent assurance as to the efficacy of the improvements you have instigated and the lessons that have been learned over recent years.

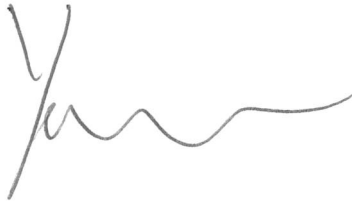
But the Trust's purpose in commissioning the NAO report was to look to further mechanisms to enhance value for money for licence fee payers, and their report shows that there remains room for improvement. You have already acted on a number of the recommendations in the report. But I look to you for a comprehensive action plan covering all five recommendations, with a particular focus in two areas.

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These are the recommendations as to the content of business cases presented for approval and, a related point, as to the identification of measurable benefits expected from each project. It is in these two areas where the failings identified on Broadcasting House phase 1 have left the BBC in a position where it is harder to demonstrate project success and value for money, since the actual benefits now being realised and delivered cannot be compared with an appropriate base line.

Alongside the actions being taken to address these specific recommendations, the Trust also seeks from you a clear and explicit health check on all major capital projects that are currently in train. The purpose is to identify whether the lessons identified by the NAO on major estate projects can be carried over to make specific improvements in the management of those other projects, even where they are already in operation.

The Trust's Finance and Compliance Committee would like an initial report from you on the issues raised by this letter at its meeting on 31 March. They will then set a framework within which the full Trust can engage further on these issues in the future.



Michael

Sir Michael Lyons
Chairman, BBC Trust