



House of Commons
Committee of Public Accounts

BBC Procurement

**Nineteenth Report of Session
2007–08**

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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Mr John Healey MP (*Labour, Wentworth*).

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

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Summary

The BBC spends over £500 million each year on goods and services ranging from broadcast specific products to more generic items. It has a centralised procurement function and manages spending along category lines (**Figure 1** on page 8), enabling it to control its spending more effectively than in the past.

The BBC was aiming to deliver £75 million savings from procurement in the three years to April 2008, but savings have varied widely between categories and it has achieved least from those where it has spent most, Production Resources and Technology and Broadcast Equipment. Spending on another category, People and Resources, doubled to £53 million in 2006–07 (the last complete financial year at the time of our examination) because of the costs of engaging temporary staff for a number of one-off projects, such as developing the iPlayer. The BBC expects this to drop significantly in the future when projects come to an end.

In recent years the BBC has used fewer suppliers and has established central contracts for a greater proportion of its goods and services, but in 2006–07 it still used over 17,000 suppliers. That year the BBC spent more than £200 million through local deals and made nearly 38,000 individual purchases from suppliers with which it had no central contract.

During 2006–07 the BBC introduced an upgraded electronic purchasing system, but 2,000 of the 4,500 licences it had paid for to give staff access to the system were not being used. The average cost of processing a purchase using the system is £6, although the cost is more than six times greater when buyers do not use a central contract.

The BBC uses technology across all of its procurement activities, including letting tenders through eAuctions. The BBC has made estimated annual savings of £3 million (14%) from the 19 eAuctions it ran between April 2005 and March 2007, but since then had let only five more contracts in this way.

In January 2007 the BBC Trust replaced the Board of Governors and is developing its oversight of the BBC Executive. The Trust discusses with the Comptroller and Auditor General a programme of value for money reports that it commissions each year, but the Trust retains the final decision on what subjects are examined.

On the basis of a report by the Comptroller and Auditor General,¹ we took evidence from the BBC on the savings achieved and how it is meeting business needs, and on the BBC Trust's oversight of the BBC Executive.

¹ C&AG's Report, *BBC Procurement*, presented to Parliament by the Secretary of State for Culture, Media and Sport, as an unnumbered command paper, 13 December 2007

Conclusions and recommendations

1. **The BBC is achieving significant procurement savings, but could secure more in a number of areas.** Savings across the range of goods and services bought in 2006–07 varied from less than 3% to more than 12% and conceal increased spending in some categories such as the use of temporary staff. Overall 5% was saved, but in five of the BBC's seven categories of spending the savings were lower. For example, the BBC spent some £232 million in the Production Resources and Technology and Broadcast Equipment categories, but saved £7 million (3%). Within six months the BBC should:
 - assess the scope for savings in those areas where it has recently saved least, such as Production Resources, Technology and Broadcast Equipment and Marketing Services;
 - check whether planned reductions in the use of temporary staff have been achieved, and whether having a managed service system has reduced costs of employing those temporary staff that are needed; and
 - identify what areas of procurement spending should fall in line with planned reductions in staff numbers.

2. **The BBC could save money by aggregating its requirements and reducing its supplier management costs.** Some £207 million a year of the BBC's spending is not through centrally negotiated contracts, with some £26.5 million of this spread across 14,000 suppliers. Its 38,000 exceptional purchases—for goods and services not available through central contracts—cost six times the average to process. While enabling a wide and geographically dispersed range of suppliers to compete for its business, the BBC should:
 - establish clear criteria for assessing which areas of spending should and should not be aggregated into central contracts;
 - remind all purchasing staff, including those on temporary contracts, of the availability and cost advantages of central contracts, and the high cost of exceptional requests; and
 - provide feedback to those individuals, and their managers, who persistently fail to use the most appropriate procurement route and secure explanations.

3. **The BBC has been paying for unused licenses for its electronic purchasing system.** In the light of the Comptroller and Auditor General's report, the BBC has now introduced quarterly reviews and withdrawn 780 licences from staff who were not regularly using the system. The BBC should review all systems it operates under licence to establish whether it is paying for other licences that are not being used.

4. **Despite the savings available from using eAuctions, the BBC had run only five in 2007–08.** This Committee has previously highlighted the potential price savings from using eAuctions and the BBC is saving £3 million a year (14%) from the 19 it

conducted in the two years to April 2007.² The BBC should look for further opportunities to use eAuctions. To drive that process the BBC should establish criteria, for example when its requirement is for similar goods, to identify when eAuctions are appropriate.

5. **The benefits of the BBC's procurement arrangements may be lost when activities are outsourced.** Some 45% of BBC spending is on services outsourced to other providers. To get best value from this spending the BBC should satisfy itself that these suppliers are using good procurement practice, and look for opportunities for the BBC and suppliers to aggregate their buying power to the benefit of both. The BBC should, for example, benefit from any reduction in the costs incurred by the providers of its outsourced services.
6. **Despite the BBC Trust having now operated for a year, little has changed in how the value for money of BBC activities are reviewed and BBC spending remains closed to proper independent scrutiny.** It is still the case that the Trust alone decides what value for money reviews are conducted on how the BBC spends the public's money. We remain convinced that the only effective way to provide proper scrutiny is for the Comptroller and Auditor General to have the same powers to identify and undertake studies that apply to the other value for money work we examine. As the Trust has never rejected a topic suggested by the Comptroller and Auditor General, we see no reason why it should object to the Comptroller and Auditor General having such powers.

2 Committee of Public Accounts, Thirty-third Report of Session 2006–07, *Assessing the value for money of OGcbuying.solutions*, HC 275, page 6, para 11

1 The savings achieved so far

1. In 2006–07 the BBC spent £531 million on goods and services ranging from broadcast specific products, such as props, costume, locations, lighting, studios, production equipment, recording and storage media, to more generic items such as travel, office supplies and consultancy advice.³

2. At the time of our hearing the BBC was on course to achieve its target of delivering cumulative procurement savings of £75 million in the three years to April 2008. It had achieved savings of £10 million in 2005–06 and £27 million in 2006–07, slightly exceeding the annual target for those years, and expected to meet its £42 million target for 2007–08. Savings had been achieved by various means, including obtaining reduced prices when contracts had been re-tendered and negotiating with suppliers not to apply annual inflationary price increases, against the backdrop of overall spending on goods and services having increased by 6% from April 2004 to March 2007.⁴

3. **Figure 1** shows that across the seven categories of goods and services on which the BBC spends money, the savings made in 2006–07 ranged from 2.9% to 12.1%. While the overall saving was 5%, the savings were lower in five of the seven categories and lowest in those categories where the BBC had spent most—Production Resources (3.2%) and Technology and Broadcast Equipment (2.9%). One of the BBC's approaches to securing savings was renegotiating or re-tendering contracts when they came to an end, but that point had not been reached in these two categories, where overall savings of £7 million were made, compared with £231.6 million spent. In the coming year, however, the BBC was expecting to save more than 10% (£13 million) in the Production Resources category. As regards Technology and Broadcast Equipment, the BBC considered that it was already getting good value for money because of previous savings, and that future savings would depend upon changes in technology and its working practices.⁵

3 C&AG's Report, para 1

4 Q 36; C&AG's Report, paras 4, 6 and Figure 5

5 Qq 1, 83

Figure 1: Analysis of the BBC's annual savings from procurement by category in 2006–07

Category	Examples of type of spending	Spending (£ million)	Savings (£million)	Savings as a percentage of category spending
Production Resources	Post production; studios, scenery and lighting; outside broadcast and locations; props, costume and make-up	128.6	4.1	3.2
Technology and Broadcast Equipment	Production equipment; audio visual equipment; recording and storage media	103.0	2.9	2.9
Logistics	Hotels and conferences; travel; couriers	76.1	6.3	8.2
Property and Workplace	Utilities; facilities management; stationery and office supplies; catering; security contracts	69.9	3.3	4.7
People and Resources	Recruitment agencies; training and development	52.8	2.5	4.8
Marketing Services	Market research; advertising; promotional merchandise	51.1	1.7	3.3
Corporate Services	Advisory services and consultancy; insurance; legal services; banking and financial services	48.3	5.9	12.1
Total		531.4	26.7	5.0
Note: Other spending of £1.6 million did not fit within the existing category structure				

Source: C&AG's Report, Figures 2 and 6

4. The overall savings also conceal underlying increases in some categories of spending. For example, while savings of 4.8% (£2.5 million) had been made in the People and Resources category (**Figure 1**), which included the cost of temporary staff, spending had doubled from £26.3 million to £52.8 million in the three years to April 2007.⁶

5. The BBC used a mix of temporary and permanent staff because it gave flexibility and because using temporary staff saved overhead costs such as pension contributions. Large numbers of programme staff were freelancers, but temporary staff were also used for one-off projects, such as the iPlayer, where specialist skills were needed. As projects ended, temporary staff costs had fallen, and the BBC was expecting to spend under £35 million on the People and Resources category in 2007–08.⁷

6. The use of temporary staff also had to be seen in the context of planned staff reductions at the BBC of between 1,800 and 2,500 over the next five years, with the biggest reduction due to take place in the coming 12 to 18 months. Asked about the risk of temporary staff

6 C&AG's Report, para 4

7 Qq 33, 37–38, 88–89

being used to backfill permanent posts, the BBC acknowledged the importance of making sure total staff costs, including for temporary staff, were reduced. The BBC also expected that some areas of procurement spending would fall as staff numbers declined.⁸

7. In addition to the more routine procurement covered by this Report, some 45% of all spending across the BBC was for work outsourced to other service providers, including long-term contracts for services such as finance and human resources, as well as programme content made by independent production companies. One way organisations can get better value for money from the supply chain is to encourage suppliers to use best practice procurement. Although the BBC's contractors generally do not take advantage of its purchasing arrangements, and its expertise in particular markets, the BBC confirmed that they could.⁹

8 Qq 83–86. The Director General's speech to BBC staff announcing the job losses is available at: http://www.bbc.co.uk/pressoffice/speeches/stories/thompson_staff_181007.shtml

9 Qq 98–100

2 Meeting business needs

8. The BBC has strengthened its procurement procedures by establishing a centralised procurement function with qualified staff, moved to managing procurement spending on category lines (**Figure 1**, above) and extended the use of technology in the procurement process. In 2005 the BBC was awarded Gold accreditation by the Chartered Institute of Purchasing and Supply for its strategic procurement capability.¹⁰

9. The BBC aims to establish a range of contracts that meet its buying needs and make use of its collective purchasing power. One way the BBC has sought to achieve this is through the use of central contracts. The advantages of channelling procurement through central contracts include better prices and service levels, better contract terms and saving time when placing orders.¹¹

10. In 2006–07, however, some £207 million (39%) of the BBC's procurement spending was still through local contracts, and the BBC had faced difficulties getting staff to use central contracts. Some staff believed that central contracts did not always provide the best prices, but they had not taken into account the process costs of sourcing and ordering goods and services locally. In addition, temporary and freelance staff lacked awareness of central contracts.¹²

11. Doing business with a large number of suppliers also makes supplier management more time-consuming and increases administrative costs, so the BBC had been reducing the number of suppliers it used. Of the 17,000 suppliers used in 2006–07, however, over 14,000 accounted for just 5% (£26.5 million) of the BBC's spending.¹³

12. The BBC was aiming to reduce the number of suppliers it used, and planned to review its spending to identify opportunities for more central contracts. At the same time, the BBC would be looking to balance reductions in supplier numbers with keeping its supply base open, competitive and innovative. The BBC had locations nationwide and needed suppliers who could meet local needs. It had sought advice from staff in the regions about what was needed and worked to raise local suppliers' awareness of the opportunities to supply the organisation. The BBC had also set up managed service systems for taxis and recruitment agencies, contracting one company to manage a panel of preferred suppliers across the country.¹⁴

13. An organisation's procurement activities should be supported by processes which are efficient and simple to use. In 2006–07 the BBC introduced an upgraded electronic purchasing system to allow staff to order goods and services through a range of buying channels. The system allows staff to place orders from their computers, and gives them access, for example, to fixed price catalogues and preferred supplier lists. The overall

10 C&AG's Report, paras 10, 14, 31

11 C&AG's Report, paras 2, 25

12 Q 7; C&AG's Report, para 26

13 Qq 9–10, 41–43; C&AG's Report, para 20

14 Qq 8–10, 41, 43, 70–74, 90–93, 97; C&AG's Report, para 30

annual cost to the BBC of processing transactions through its purchasing system is some £6.5 million, at an average cost of £6 for each transaction (**Figure 2**).¹⁵

Figure 2: Analysis of the cost of the BBC's purchasing processes

Buying channel	Description	Number of transactions		Processing costs		
		Total number	Percentage of total number	Average cost per transaction (£)	Total cost (£)	Percentage of total cost
Fixed Price Catalogue	Online catalogue of fixed price goods and services	52,807	5	11.81	623,547	9
Preferred Supplier Lists	Online lists of preferred suppliers	64,820	6	22.25	1,442,463	22
Exceptional Requests	Goods or services not available through other routes	37,740	3	38.77	1,452,608	22
Direct Bookings	Links directly to supplier websites to make bookings	752,699	70	2.21	1,664,128	26
Expenses	Staff expenses	165,848	15	7.90	1,310,511	20
Purchasing Cards	Corporate credit cards	5,000	1	4.77	23,873	1
Total		1,078,914	100	6.04	6,517,129	100

Source: C&AG's Report, Figure 10

14. As **Figure 2** shows, the process costs vary. Some 70% of transactions are direct bookings which are the least expensive to process and cost £2.21 each. In contrast, exceptional requests are the most expensive to process and cost over £38 each. Exceptional requests were made when goods or services were not available through other routes and were relatively costly to process because of the need to identify suppliers and negotiate contracts. Nearly 38,000 exceptional requests a year were being made. While that was 3% of all transactions, they accounted for 22% (£1.5 million) of total processing costs. The BBC confirmed that its policy was to reduce this form of procurement to an absolute minimum.¹⁶

15 C&AG's Report, para 35

16 Qq 6, 68

15. The cost of the electronic purchasing system includes fees for user-licences, but over 2,000 of the 4,500 licensed users did not use the system in the three months to June 2007. Since then the BBC had introduced a quarterly review to identify licence-holders who had not regularly used the purchasing system, and had removed licences from 780 staff (17% of the original licensed users), saving the ongoing maintenance costs for those licences.¹⁷

16. The BBC had also saved money by using reverse electronic auctions (known as eAuctions), a procurement approach previously recommended by this Committee. In an eAuction pre-selected suppliers compete online and in real-time for a specific piece of business, offering to supply the goods or services at successively lower prices until nobody wishes to place a lower bid. In the two years to April 2007 the BBC had run 19 such auctions, making estimated annual savings of over £3 million (14%). The BBC had planned to run a further 25 eAuctions in 2007–08, but with little over two months to go had run five.¹⁸

17 Qq 3–5

18 Q 44; C&AG's Report, paras 33–34; Committee of Public Accounts, *Assessing the value for money of OGCbuying.solutions*, page 6, para 11

3 Oversight of the BBC

17. In January 2007 the BBC Trust had replaced the Board of Governors as the body overseeing the BBC Executive. A year on, the Trust thought the new arrangements had given it a better feel of what its role and that of the Executive was, and that the Trust was now able to focus more on strategy, setting the overall direction of the BBC and looking at value for money issues.¹⁹

18. The Trust referred to two processes, Public Value Tests and Service Licence Reviews, that it used to support its oversight of the BBC. Based on the Public Value Test, the Trust had approved the Executive's proposals for the iPlayer, an online service that allowed people to access BBC television programmes from the last seven days. Approval had been on the condition that the iPlayer be made available to users across different computer platforms within a reasonable timeframe, and the BBC Executive was working to achieve this following the launch of the iPlayer in December 2007.²⁰

19. Over the next three to four years the Trust was planning Service Licence Reviews for each of the BBC's 35 services. The plan was that these reviews would determine how well each service had performed against the terms of its service licence, using a performance measurement framework to assess its reach, quality, impact and value for money, including the cost per user hour.²¹

20. The Trust referred to the value for money reports prepared by the Comptroller and Auditor General each year, arrangements for which were agreed between the BBC and the Government. The agreement provides for the involvement of the Comptroller and Auditor General in discussions about suitable topics, but the Trust retains the final say on what is and is not included in the programme of reviews.²²

19 Q 11

20 Qq 12, 22–24, 45–50, 139. Details of the BBC Trust's decision are available at: http://www.bbc.co.uk/bbctrust/consult/closed_consultations/ondemand.html

21 Qq 53–63, 69; Ev 17–18

22 Qq 106–109, 123, 126

Formal Minutes

Monday 31 March 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr Alan Williams

Mr Keith Hill

Phil Wilson

Mr Don Touhig

Draft Report (*BBC Procurement*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 20 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Nineteenth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 2 April 2008 at 3.30 pm.]

Witnesses

Wednesday 9 January 2008

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Mr Jeremy Peat, Trustee, BBC Trust, **Mr Mark Thompson**, Director General, **Ms Zarin Patel**, Group Finance Director, and **Ms Beverley Tew**, Director of Procurement, BBC

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List of written evidence

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List of Reports from the Committee of Public Accounts 2007–08

First Report	Department for International Development: Tackling rural poverty in developing countries	HC 172 (Cm 7323)
Second Report	Department of Health: Prescribing costs in primary care	HC 173 (Cm 7323)
Third Report	Building for the future: Sustainable construction and refurbishment on the government estate	HC 174 (Cm 7323)
Fourth Report	Environment Agency: Building and maintaining river and coastal flood defences in England	HC 175 (Cm 7323)
Fifth Report	Evasion of Vehicle Excise Duty	HC 227 (Cm 7323)
Sixth Report	Department of Health: Improving Services and Support for People with Dementia	HC 228 (Cm 7323)
Seventh Report	Excess Votes 2006–07	HC 299
Eighth Report	Tax Credits and PAYE	HC 300
Ninth Report	Helping people from workless households into work	HC 301
Tenth Report	Staying the course: the retention of students on higher education courses	HC 322
Eleventh Report	The compensation scheme for former Icelandic water trawlermen	HC 71
Twelfth Report	Coal Health Compensation Schemes	HC 305
Thirteenth Report	Sustainable employment: supporting people to stay in work and advance	HC 131
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Fifteenth Report	The Pensions Regulator: Progress in establishing its new regulatory arrangements	HC 122
Sixteenth Report	Government on the Internet: Progress in delivering information and services online	HC 143
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Eighteenth Report	Improving corporate functions using shared services	HC 190
Nineteenth Report	BBC Procurement	HC 221

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 9 January 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr David Curry
Mr Ian Davidson
Mr Philip Dunne
Nigel Griffiths

Keith Hill
Mr Austin Mitchell
Dr John Pugh
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General and **Mr Keith Hawkswell**, Director, National Audit Office, were in attendance and gave oral evidence.

Ms Paula Diggle, Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

BBC PROCUREMENT

Witnesses: **Mr Jeremy Peat**, Trustee, BBC Trust, **Mr Mark Thompson**, Director-General, **Ms Zarin Patel**, Group Finance Director and **Ms Beverley Tew**, Director of Procurement, BBC, gave evidence.

Q1 Chairman: Good afternoon, welcome to our first meeting in 2008. May I wish you all a very Happy New Year? We are considering today the Comptroller and Auditor General's Report on *BBC Procurement* and we are joined once again by Jeremy Peat, who is representing the BBC Trust, and Mark Thompson who is the Director-General of the BBC; you are both very welcome. As I said, we are talking about procurement. It is not a bad report Mr Thompson, but there are various things which can always be done better as I am sure you will acknowledge. Perhaps we can turn to figure 6 on page 10 and if you look at that figure, you will see at the top there where you are making most savings in 2006–07, for instance, corporate services, but if you go down to the bottom, you will see you are only making 3.2% savings on production resources and 2.9% savings on technology and broadcast equipment. As it happens those are the two areas where you spend most. You spend £128 million a year on production resources and you spent £103 million a year on technology and broadcast equipment, so the obvious question is: why are you saving least on areas where you spend the most?

Mr Thompson: Firstly, it is worth emphasising that overall we are pretty happy, and the NAO Report reflects this, with the overall progress we are making on savings. We are on track to deliver £76 million a year of savings by the end of the programme; we have already saved £75 million over the first three years. I have to say that I do not believe the savings you talk about, the 3.2% on production resources and 2.9% on technology and broadcast equipment, are to be sneezed at; however, these are categories where it is taking us some time to work through existing contracts and relationships. They are often connected to editorial matters. The NAO Report looked at the first two years of a three-year

programme looking at efficiencies and production resources; in year three we hope to make more than 10% savings in this category. As part of the overall story of saving money on procurement, we are going to make much deeper savings in production resources in year three and we believe we can hold those savings over the rest of the period. Technology and broadcast equipment is a slightly different category. This is an area where the factor markets are specialist and where we have actually been driving savings, benchmarking, tendering for many years and where, to be honest, we began this programme discovering we were already getting pretty good value for money in terms of our procurement. Our plans for driving further savings in this category are more based around trying to find big changes in working practices and in technology, so that we use different equipment and use it in ways which are more efficient. I cannot promise you going forward that we are going to make substantially bigger savings like for like, but we can approach the way we make our content in ways which will unlock further savings.

Q2 Chairman: When you unlock these further savings, say in production resources, you mentioned quality, are you pretty confident that quality will not be affected? You must be.

Mr Thompson: You will understand that that is constantly a debate inside the BBC, as it is inside any big organisation worrying about procurement. There are two debates, one of which is whether centralised procurement mean there is less choice and maybe less relevance for particular geographical creative needs of one part of the organisation. The other big debate is about quality. Yes, I am confident that we can achieve this, deliver the same or higher quality and drive out the savings.

Q3 Chairman: Let us now look at user licences which we can find referred to on page 15 of this Report, paragraph 39. You will see there that it says 2,000 users did not raise a purchase order. Why is it that you are wasting over £300,000 each year on user licences which you do not even use?

Mr Thompson: I do not believe we have a systemic problem with user licences. We have been moving through to what the Report calls and we would call a self-service environment and the necessary licences were purchased to serve that environment, not just now but in the future. Having said that, there may be some lessons to learn here.

Ms Patel: Let me pick that up. Of the 2,216 users who were not using their licences for purchase orders, they were using it for buying other staff. In a self-service environment you are buying your own artists, you are contracting your staff, you are scheduling your staff and you are downloading your own financial reports. In the quarterly review that we now have systematically of looking at who is using their licences and who is a regular non-user, we identified 1,300 people who were using those licences for other activity. However, 780 people were not and we have removed those licences. We now have a robust quarterly review of people who are not using their licences and are regular non-users and we delete them from the system. Just a point of clarification on the savings, we did not pay £150 per licence for this. We had a 50% discount from SAP, the service provider, and that is a one-off cost for those licences.

Q4 Chairman: It says here that the licences do cost £150 each.

Ms Patel: But we had a 50% discount on their purchase.

Q5 Chairman: It might have been useful if you had made that clearer to the NAO when you were drawing up this Report.

Ms Patel: And the cost you save is the ongoing maintenance cost, which is about £13 per licence.

Q6 Chairman: On the same page, if you look at figure 10, Analysis of the BBC's Purchase to Pay procurement processes, you will see exceptional requests listed there. Some 38,000 transactions are exceptional requests, each one costing more than six times the average to process. How can so many exceptions be justified?

Mr Thompson: This figure of 37,740 represents about 3.5% of all requests. The whole thrust of what we have been doing in procurement is about central contracts and centralised procurement and this figure has been falling. I believe since the NAO completed their Report that it is now at about 3%. There are sometimes genuine and credible reasons why there should be an exceptional request. It is absolutely our policy to reduce exceptional requests to an absolute minimum. We are making good progress to get to a point where 97% of requests do not fall into the exceptional category, which is good, but it is an area where we would continue to want to

make progress. I do not know whether Beverley Tew, our Director of Procurement, wants to add anything to that.

Ms Tew: Just to say that every single exceptional request is challenged by a member of my team and, where possible, we try to move it on to one of the other routes and with a preferred supplier. Every single request is challenged.

Q7 Chairman: You say that central contracting is very important to your strategy. Why is it then that you do not have central contracts for over £207 million of spending which is mentioned in paragraph 29?

Mr Thompson: I want to say that any pragmatic and commonsensical approach to procurement is going to try to balance the value for money advantages of buying things centrally with creative, operational and geographical—

Q8 Chairman: I am sure that is right, but 39% not covered by central contracts is quite large, is it not?

Mr Thompson: Since we focused hard on this topic, and the work has been led in the field by Beverley, the shift has been towards a greater proportion of central contracts with a smaller number of suppliers. I am quite sure that is the right direction. We would like to continue to shift in that direction but the answer is never going to be 100% done centrally. The danger would be that you would end up with many parts of the business discovering they could not get exactly what they wanted, close to where they needed it, promptly and at a good price, because of central machinery. It is a balance but we are shifting and the NAO Report makes this very clear. We are shifting pretty strongly and confidently now to a much greater proportion of procurement done in a central way.

Q9 Chairman: If that is true then, why do we read in paragraph 22 that there was a long tail of low spending with suppliers as 5% of the BBC's spending was with 80% of its suppliers, that is 14,000 suppliers? You have 14,000 suppliers for just 5% of spending, why is that?

Mr Thompson: May I just emphasise the diversity of what the BBC does? This includes expenditure by BBC news crews responding at every level, locally, regionally, nationally and internationally to news stories. It involves every kind of television, radio and web production and although we are trying to strike the right balance and we would like to continue to work away at this long tail—

Q10 Chairman: Is it really good value for money to have 14,000 suppliers for just 5% of spending?

Mr Thompson: If you think of the sheer number of different bases the BBC has around the UK and also a proper concern that we have to make some kinds of procurement absolutely available to small local suppliers, so that the entire business of the BBC is not tied up in a small number of central UK-wide contracts, I do not believe it is a disgraceful number. Would I like to see the number fall further somewhat? Yes, I would.

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Q11 Chairman: Mr Peat, a last question from me to you. Your Trust has now been in existence for a year. What difference have you made? Are all these changes just for form or do they have real substance? What have you done in the last year that you could not have done as a BBC governor?

Mr Peat: There is so much greater clarity now as to our specific responsibilities and to those of the executive. We have a much better feel of what our role is and the role of the executive, including the role of the non-executive directors, that we are able to focus more on the big issues, on the strategic issues, on setting the direction and indeed on looking at value for money issues.

Q12 Chairman: Personally, what difference have you made? Give us an example of something that you have changed as a result of being a member of a trust which you could not have done as a governor. Give us a practical example.

Mr Peat: One example would be that I work closely on the public value tests that are undertaken and we have had public value tests completed on both high definition television and the iPlayer. For the iPlayer, we have specifically suggested various exclusions from what should be covered and various changes to the proposition that was put forward by the executive following work with Ofcom on the market impact, and following analysis of the interest of licence-fee payers. We have looked very carefully at propositions in that area and we are in the middle of looking at the Gaelic digital service.

Q13 Chairman: Could you not have done that as a governor?

Mr Peat: We did not have the same process and the final decision making on those matters would have been for DCMS under the previous arrangement rather than for the Trust. We now have the responsibility and we have to look much more closely.

Q14 Dr Pugh: As I understand this Report, you have met your £75 million target for this year but your annual expenditure is actually up and the explanation of that is because of one-off expenditure of one kind or another such as development and some expenditure on property and workplace. Is that correct?

Mr Peat: The savings that are set out here are those audited by the NAO.

Q15 Dr Pugh: The savings are real but there are additional items which you would not buy every year, as it were.

Mr Peat: Correct.

Q16 Dr Pugh: And clearly one of those you have just mentioned is the iPlayer. How much has that cost to develop, bearing in mind that not all the costs may be in one year?

Mr Peat: I would prefer that Zarin gave that information.

Q17 Dr Pugh: How much has it cost to develop the iPlayer?

Ms Patel: I do not have the figures to hand. I believe that it was somewhere in the region of £20 million all told over the last two or three years but I do not have that exact information to hand.

Q18 Dr Pugh: Could you send us the figure?

Ms Patel: Yes, of course.¹

Q19 Dr Pugh: How long has it taken to develop in all?

Mr Thompson: You will understand of course that only the sub-set of that cost comes under the category of procurement. For example, staff costs of BBC staff would not be included in the category of procurement.

Q20 Dr Pugh: So the iPlayer costs may actually be considerably more than that and some of it will be procurement?

Mr Thompson: I think the figure quoted is the total cost of which only a proportion will be procurement.

Q21 Dr Pugh: What was the cost of making the iPlayer partially interoperable, because that was an additional cost incurred during this year was it not? Initially it was only working on Windows XP via Internet Explorer. I believe, I have not tried, I can now get it to work on my Mac; for some things anyway. I can stream but I cannot download.

Mr Thompson: It should be working on your Mac. If it is not, I will pop round and have a look.

Q22 Dr Pugh: Interestingly enough, I did try on the House of Commons Windows computer and it crashed. But that is possibly a separate issue.

Mr Thompson: It may be a problem at your end. Who knows? The plan with the iPlayer was always to make it as widely available across different platforms as we could and the main consumer launch of the iPlayer, which happened on Christmas Day, when we actually launched it to the public fully—

Q23 Dr Pugh: So it was planned expenditure; nothing to do with the protests which were voiced at the time.

Mr Thompson: No. To be honest people feared that the BBC might be planning a cosy and exclusive relationship with Microsoft. It was always planned; it was a requirement of the BBC Trust but, to be honest, it was always the management's plan that this product would be available for people using different systems.

¹ *Note by witness:* The total incremental cost for the BBC iPlayer service is estimated at £26m per year, over a period of five years starting in 2006/7. This includes rights costs as well as development, operational and other technical costs. We can confirm that the project has incurred development costs of £5.8m from inception to date. BBC iPlayer is built on the BBC's continually developing technical infrastructure and makes use of a number of foundation projects currently underway within the BBC.

Q24 Dr Pugh: It had nothing to do with the fact that your group controller of future media technology actually came from Microsoft and was hired from Microsoft.

Mr Peat: It was a condition of approval by the BBC Trust that the full availability through different systems should be accelerated.

Mr Thompson: What was true was that some of the initial consumer tests were available only for use in the Microsoft Windows and Media Player environment, but that was at the testing stage. It is absolutely core to the BBC that we make our services as universally available as possible and that, in the context of the web, absolutely includes the availability of services on different platforms.

Q25 Dr Pugh: So at what stage will we be able to fully download and screen to a Mac or a Linux computer?

Mr Thompson: You can do that now.

Q26 Dr Pugh: Both of them?

Mr Thompson: Yes.

Q27 Dr Pugh: Why, in a sense, did you develop your own piece of kit? There are actually things you could have procured. BT Vision is one product, BitTorrent is another which are both developed and fully interoperable as far as I understand. Why go to all the trouble of procuring your own system which in a sense you could have bought off the peg?

Mr Thompson: The iPlayer, the application of the iPlayer, the client application and the way programming media files are both encoded and transported from server to client, is not a bespoke BBC creation.

Q28 Dr Pugh: Some applications elsewhere are actually better, are they not?

Mr Thompson: It is an assembly of existing pieces of technology. We package some different pieces of technology, but it is not as though we have gone out and invented our own peer-to-peer or digital rights management systems; these have been packaged up. A significant part of the cost of the iPlayer is to do something rather different which is that the nature of this application and, if you like, the promise of the application is that people will be able to catch up on—

Q29 Dr Pugh: I know that.

Mr Thompson: There is a substantive point coming. Re-engineering the BBC itself, such that automatically we can get hundreds and hundreds of hours of television and indeed alongside our existing radio on-demand services, encoded, available to be downloaded with all their rights cleared and all the rest of it, has meant getting dozens of different existing systems to talk to each other. So a significant part of the development challenge and of the cost of iPlayer has been around organising an end-to-end digital delivery of the content to iPlayer. Nobody anywhere in the world has tried to offer so much content so quickly in real time to the public. What is unusual about the iPlayer is not the functionality of

being able to download programmes; it is about the sheer quantity and the fact that it refreshes every day. It has been the back office side of the content delivery which has been a large part of both the technological challenge and also a significant part of the cost.

Q30 Dr Pugh: But can you not understand the view that you spent clearly much more than £20 million on developing this piece of apparatus and its application which when it downloads the marvellous content of the BBC cannot even tell me how much I have downloaded in terms of megabytes and so on, can it?

Mr Thompson: We have decided to keep the user interface.

Q31 Dr Pugh: BitTorrent can tell me how much I have downloaded: the BBC cannot tell me.

Mr Thompson: We have chosen to offer a user interface which is very simple, very clear and which, if I may put it the other way, is not going to put off people because it offers vast amounts of complex information about megabyte and screening rates and all the rest of it. If you go on to the iPlayer right now, in two or three clicks you can be watching *Sense and Sensibility*. What we are seeing is that about a million people have already tried iPlayer. It has only been launched since Christmas Day and the stream is full.

Q32 Dr Pugh: In two or three clicks I could be exceeding the limit on my broadband connection and I would not know. In a sense you have developed an application which is of limited use to the consumer and spent an appreciable amount of money on it.

Mr Thompson: I am not going to suggest that we are not going to continue to develop the iPlayer and to listen to our audiences about ways in which we can improve it. Clearly it will not be difficult for us, if it is not already there, to include in the interface information about the use of bandwidth and streaming rates and so forth for those who want it. In the first week the iPlayer's day-to-day growth was around 20% per day. To be honest, all of the evidence we have had and the feedback we have had is that consumers are enormously enjoying using the iPlayer; around one million people in this country have tried it already and we are a fortnight into its launch. It is growing very strongly. It is very simple and easy to use and, I have to say, so far it has got off to a very good start.

Q33 Dr Pugh: Moving on to that heading of People and Resources, it also includes recruitment agencies. Presumably with a large number of people currently being laid off by the BBC, your expenditure on recruitment agencies is scheduled to dive, is it not, because you are not doing much recruiting, in fact quite the reverse at the moment?

Mr Thompson: The total number of people working for the BBC is reducing. The total pay bill of the BBC, staff, freelance, casual, temporary, is also reducing and will continue to reduce. However,

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clearly and iPlayer will be an example, some of the big other technology projects we have, some of the other major one-off projects we have sometimes require specialist skills and specialist resource which we need on a temporary basis and that will continue.

Q34 Dr Pugh: Are you telling us it may not fall because you may need expensive headhunters to find the right people to develop applications like iPlayer?

Mr Thompson: As I tried to explain to you about iPlayer, iPlayer is a bringing together of many existing applications which are being developed by third parties and where the BBC pays a modest licence: the Kontiki DRM peer-to-peer technology, the Adobe Flash video streaming technology and so forth. I do not accept the premise that the BBC, as it were, has been creating entirely new applications on its own. What we have been doing is bringing technologies together to produce what we do think is needed.

Q35 Dr Pugh: With all due respect, you are answering the previous question. Recruitment agency funding is not likely to fall then despite the position the BBC is in?

Ms Patel: In 2007-08 we are now back down to our normal levels with £35 million spend projected for this year, which is in line with an historical level. So the hump of spend we saw, the kind of spike of spend that we saw both on our change projects, on iPlayer and other technology projects, has now come back down to normal level.

Q36 Mr Dunne: On page nine, table four shows that you have succeeded in achieving greater savings for each of the first two years under review and the summary at the front of the Report indicates you are likely to hit the savings for the full three years. As there has been a significant increase in targeted savings in the current year, are you expecting to achieve the three-year target by actually failing to achieve year three because you have done well in year one and two?

Ms Patel: No, the year three target of £42 million is on course to be achieved by the end of March 2008.

Q37 Mr Dunne: Following on Dr Pugh's question about the use of temporary staff, I appreciate that part of this has been to fulfil the iPlayer which he has just been talking about at some length. Could you just explain the principles that the BBC applies towards full-time and temporary staff? You said that you are looking at about £35 million at the moment compared with £26 million in the first year under review. Just characterise for us, would you, the attitude you take towards full-time and temporary recruitment?

Ms Patel: It is different in different parts of the BBC. If I take BBC Vision, the television arm, where between 25% and 50% of our television production can be carried out by an independent production company, we have a large base of freelance staff rather than fixed permanent staff, who are more expensive, so that we can reduce the capacity up and down. If you take an example like news, where there

is news and audio music but there is much more certainty about the output over the range of the year and you can plan in the long term, you will have a higher proportion of full-time staff on continuing contracts. In the areas of future media and technology, in all the change programmes, in my own division in finance where we have gone through a massive transformation, we will look really hard at using temporary staff, or consultants where we believe they have the right expertise and provide the right value, but in both cases, temporary staff and consultants, we have really strong authorisation processes. I will look independently at all consultancy spend requests and divisional directors have to look at temporary staff requests. What we are trying to do in the last three years, where we are taking 3,500 posts out of the BBC, is to make sure we don't bring those posts right back in again either as temporary staff or as consultants. So we have strong controls on that which we will continue through the remaining period.

Q38 Mr Dunne: In view of the desirability of working at the BBC as an employer for career development, people who are interested in the media at large, could you be accused of exploiting young people trying to get into the industry by having a policy of hire and fire at the bottom while retaining career development for a very small number at the top and the centre?

Ms Patel: I do not believe so. Certainly in the Vision economy or in the television economy, our freelancers are really, really important to us; they make the programme. Large numbers of programme staff are freelancers. They have access to the same training and development opportunities as the rest of the staff. You have to pay them a sensible rate otherwise you will not attract them to the BBC; the name in itself is not going to be enough. What the BBC does save on is on permanent overheads, pension contributions, PCs, the office space. Those are the things you save on.

Q39 Mr Dunne: What proportion of the staff is on temporary contracts?

Ms Patel: If I may take the freelancer base in television.

Q40 Mr Dunne: That is different, is it not? Freelancers are for production and that is for a specific programme. Look at your permanent rosters.

Ms Patel: Our total staff cost payable, including temporary staff, is some £900 million. Temporary staff account for £35 million of that.

Mr Thompson: So the overwhelming majority of people are not on temporary contracts. It is also worth saying that when we think about the issue of the right number of people in the BBC and in particular when we are thinking of where we need to make a reduction, we do take great care to make sure we are talking about a reduction across all grades. You do not simply reduce headcount. If you have

capacity you no longer need, you reduce the capacity at every level and that includes executive producers and senior staff as well as junior ones.

Q41 Mr Dunne: In relation to the recruitment agencies, are you rationalising your use of recruitment agencies to try to maximise the procurement of temporary staff?

Ms Patel: In effect that is what we did in September 2007. We now have one managed service provider, far fewer suppliers and a better framework of agreements and better rates.

Mr Thompson: The figure I perhaps should have mentioned earlier is that in 2001 we had 140,000 suppliers and we have now got that down to a total of 17,000 which includes that long tail of 14,000.

Q42 Mr Dunne: Indeed; I was going to come onto that later but I will do it now as you have raised it. This was an astonishing figure to see in the Report. Do you think that had you had the closer attention of the NAO in 2001, the fact that you had such a multiplicity of suppliers might have been brought to your attention a bit earlier?

Mr Peat: The review that was undertaken when the NAO came and looked towards the end of that process had already identified a number of key areas where there was scope for enhancement of the procurement process. I never doubt that NAO investigations, NAO studies of this type, do yield significant benefits for us so I do not doubt the value. However, I do believe we were already on the trail of some of these issues and clearly the reduction in the number of suppliers was already well underway by the time this Report started. I do also emphasise the point that Mark Thompson made earlier that, given the sheer geographical diversity as well as the sectoral diversity and the different types of activities, one cannot expect to get the number of suppliers down to a three digit figure. There is always going to be a substantial number of providers because at one time you are looking for goods somewhere in East Anglia and next time it is in Caithness and they are fairly small bites and inevitably you will have a number of contracts where procurement will go to smaller entities.

Q43 Mr Dunne: Indeed, but you must recognise that you have managed to make great progress in moving from 140,000 to 14,000 and there must have been significant inefficiency built into that previous system.

Mr Peat: Indeed, and there may still be scope, there will be scope for further reduction but we have gone through the major stage of reducing the number of suppliers and the reduction from now on will be less severe.

Q44 Mr Dunne: On page 14 is the question of eProcurement and I note that you have had some success in developing eAuctions in particular. Are you able to quantify what proportion of the savings in the current year is coming from eProcurement?

Ms Tew: The Report says that we did 19 auctions in the first two years, delivering savings of £3 million. We have done another five auctions since this Report, so the savings will be in excess of £3 million but I cannot give you the exact figure now.

Q45 Mr Bacon: Mr Peat, I would like to start with a point you raised earlier about the public value test. Could you just describe in a bit more detail what the public value test involves and the role of the Trust in expanding it or making it happen?

Mr Peat: Certainly. For every significant new investment or significant change to a service, it is required under the Charter that the Trust takes a proposition from the executive and subjects this to a public value test. The public value test has two components. One is what is called the public value assessment (PVA), which is undertaken by the Trust through the Trust unit, which is looking at the extent of impact on reach, quality, impact and value for money. In fact the NAO had a look at the way we were developing that methodology. So the PVA looks at the impact on licence-fee payers and the public value to be generated. The second component of the public value test is the market impact assessment, looking at the wider impact, and that is undertaken by Ofcom for the BBC Trust. Then, we bring together the PVA and the MIA.

Q46 Mr Bacon: Do not tell me you divide the number by the number you first thought of and then you come up with an X value.

Mr Peat: There is no final quantitative answer; the answer is not 42 and you can never get judgment out of this. We take the results of the public value assessment, we take the results of the market impact assessment and we form a view as to the value for money of the proposition compared with the appropriate counter-factual.

Q47 Mr Bacon: What is the appropriate counter-factual?

Mr Peat: What would have happened without the investment that is proposed. Jargon; I apologise.

Q48 Mr Bacon: No, it is interesting. That itself presumably involves quite a lot of speculation.

Mr Peat: It does and we have to be very careful this is all done very transparently. There are two stages during this process when there is open consultation: one is when the proposition is first being put to us for consideration; the second is when we reach preliminary findings. We look very carefully at the responses that come in from individuals as well as organisations at both that first stage and at our preliminary finding stage and then we reach a final decision on the proposition and approve or disapprove with whatever conditions we feel appropriate.

Q49 Mr Bacon: Presumably the processes that you go through in the public value assessment to come up with some sense on reach, value and quality at the initial stage result merely in a prediction, but later on

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you have got something hard to go on. Do you therefore go through the public value assessment process again?

Mr Peat: We have not reached that stage yet because the first public value test was only undertaken on the iPlayer earlier this year. We have not yet got to the stage of revisiting the estimates but I am sure that will be part of our process.

Q50 Mr Bacon: It sounds like something you could apply to anything, to any project, any investment and that is the idea is it not?

Mr Peat: Yes. I am economist by trade and this is basically a cost benefit analysis but looking at the particular issues, accepting that full valuation is not possible, accepting that quantification is only possible to a reasonable extent, but doing as much quantification, as much putting of values as one can on different aspects in order to aid an informed judgment. That is what we are doing all the time: aiding and informing best judgment.

Mr Thompson: It is worth saying that the public value test as it is set out in the Charter is intended to deal specifically with proposed new services to the public or significant changes to existing services to the public. It is not used in that form for other kinds of investment decision, though some of the principles of trying to look at the benefits and disbenefits in terms of the public value but also to look at the aggregate market impact of an investment might apply to other investment.

Q51 Mr Bacon: Some of it sounds quite similar to the OGC Gateway process that would be used for public sector evaluation. The Treasury are nodding.

Mr Peat: I am sure it would be. I was interpreting your suggestion that it could be used more widely, not just within the BBC more generally. I am saying the principles should be the same as those used for decision making across the public and private sector.

Q52 Mr Bacon: Let us stick to the BBC. You mentioned new services. BBC3 is a new service. Has BBC3 been subjected to a public value assessment?

Mr Peat: The decision on BBC3 was taken before the new Charter and therefore the decision was taken by the Secretary of State under the old Charter.

Q53 Mr Bacon: BBC3 is now five years old is it not?

Mr Peat: It must be around that.

Mr Thompson: It is actually three years old.

Mr Peat: BBC3, like all other services, has a service licence and the Trust will be reviewing each of those service licences during the first several years of its existence. We will not be undertaking a public value test but we will be reviewing the service licence and the service within that context.

Q54 Mr Bacon: To what value tests then is it subject in terms of reach and value and quality?

Mr Peat: In the service licence there is a full articulation of what the public value to be derived from the service is intended to be which enables one to assess how it is performing against those yardsticks.

Mr Thompson: By the way, I think you are right that it is five rather than three years old. The framework of reach, quality, impact and value, some of which is subjective, but there is a great deal of information and metrics which can be used, absolutely is applied. We apply them in a management performance review but when a service licence is reviewed there will be an expectation of significant audience research as well as an analysis of the performance of the network in terms of its reach, the quality indices that the public give its individual programmes, assessment of how distinctive the service is compared to other services, probably a more informal but nonetheless a look at the market impact of the service and so on. We would expect every single service that we do to be subject from time to time to a really thorough review.

Q55 Mr Bacon: You mentioned metrics. Last time you were here, you were trying to explain why Jonathan Ross being paid a lot of money could still represent good value for money in terms of cost per viewer hour.

Mr Thompson: In other words the cost of the programme divided by the hours it is watched by somebody.

Q56 Mr Bacon: In terms of content cost per viewer hour or content cost per user hour, how does BBC3 stack up?

Mr Thompson: Because BBC3's reach and share has been growing very rapidly, all of the costs per viewer hour metrics are greatly improving. It is progressively improving.

Q57 Mr Bacon: It is true though that it is the most expensive channel you have, is it not?

Mr Thompson: No, it is not.

Ms Patel: No.

Q58 Mr Bacon: Could you send us then a list of all your channels with the content cost per viewer hour of them?

Mr Thompson: Of course we can. I think BBC Parliament is up there.

Q59 Mr Bacon: Touché. What they lose in reach they make up for in quality presumably.

Mr Thompson: It is prime-time entertainment. The important thing to emphasise is that for a public service broadcaster like the BBC cost per viewer hour is quite a useful measure of value for money, but it is not the only purpose of the BBC to produce the lowest possible cost per viewer hour. Sometimes, if you look at a service like Radio 3, it is an outstanding cultural contribution which has a rather high cost per listener hour.

Q60 Mr Bacon: But the difference with BBC3 as opposed to Radio 3, and I agree with you about Radio 3, is that there are serious concerns about the quality of BBC3 in terms of what is produced and whether it is reaching its target market. In addition to the list of the different channels and their costs per viewer hour, could you send us a list of the target audiences of your different channels and what percentage of the target audience you reach? Is it not the case that BBC3 has a very high proportion of its target audience whom it never reaches?

Mr Thompson: Of course we can provide whatever information you want. Do you want target audiences for all BBC services?

Q61 Mr Bacon: Not necessarily. Not every regional radio station. Stick to national ones. BBC3 is national is it not?

Mr Thompson: Perhaps we can proceed on the following basis that we can certainly provide information about BBC3 and some benchmarks. If indeed you want to proceed to look at all BBC national services, of which there are very many across television, radio and the web, that is an enormous data request.

Q62 Mr Bacon: No, I do not want an enormous amount of data. It seems to me that you have spent £600 million on this over the last five years, and it is not obvious what value for money you are getting.

Mr Peat: May I make a suggestion which is that there are service licences for each of these services which now have been approved by the Trust, which are available, they are on our website and we can certainly make those available to you. Each of those service licences sets out what is anticipated for each of those 35 BBC services and each of those will be reviewed over the next three or four years. Would it help if, in the first instance, we made available the service licences for BBC3 and other services to see whether that starts to provide the information?

Q63 Mr Bacon: I am interested in getting some sense of your own take on the value for money that you are getting out of BBC3. I have very little time left and although it is true, Mr Thompson, that every time you speak for 30 seconds you get paid ten times more for those 30 seconds than I do, whether it is value or not is moot, it nonetheless remains the case that the Chairman will cut me off shortly. I just want to change tack slightly.

Mr Thompson: Somebody has just helpfully handed me data on cost per user hour per service across BBC television. BBC Parliament is indeed the winner, or loser, depending on your point of view, at 24p per viewer hour across the service; BBC1 is only 7p per hour; BBC3 is 16p per hour; BBC4 is 21p; BBC2 is 7p.²

Q64 Mr Bacon: If you could send us a note on that, it would be very helpful. I just want to ask you one more question quickly. On the exceptional requests, on page 15, figure 10, you said that the position

where 97% of the orders were not exceptional was really quite a good position; this is the 37,000 transactions out of the 1.078 million transactions. What is the percentage as a percentage of the total cost because 97% sounds quite good when you put it that way and only 3% are exceptional? What is the percentage of exceptional requests in terms of cost, in terms of value?

Ms Tew: The exceptional requests correspond to the use of local suppliers and non-preferred suppliers.

Q65 Mr Bacon: I am not asking you what they correspond to. What is the percentage?

Ms Tew: It is a sub-set of the 207 million. I could not tell you now, but I can find out for you.

Q66 Mr Bacon: I am really asking a question to which I think I know the answer. Presumably you got the 3% by dividing the 37,000 into 1.078 million, did you?

Mr Thompson: Correct.

Q67 Mr Bacon: The corresponding thing is to divide the 1.452 million into the 6.5 million at the bottom of the right hand column, is it not?

Mr Thompson: No, that is the processing cost.

Q68 Mr Bacon: The percentage of the processing cost. It is between a quarter and a fifth, is it not? That does not sound nearly as impressive as 3% is the point I am making.

Mr Thompson: Of course. What we recognise and one of the reasons that we have the controls in place now to try to reduce the number of exceptional requests is that they are significantly more expensive to process than other kinds of requests. Are we trying to reduce the number of these? Yes, we are.

Ms Tew: It is not just about the actual processing. What has actually gone into that average transaction cost is the time spent for programme makers, searching and identifying new suppliers, negotiating their own contract then raising the purchase order which is challenged by my team and the supplier needs to be set up on the system. It is a whole chain of events that equals that cost; it is not just transaction processing on the accounts payable system.

Mr Thompson: The object of much of the exercise, including the challenge, is to try to reduce the number of these requests.

Q69 Chairman: I still do not understand at the end of that exchange how you measure value of a programme using this content cost per viewer hour. If you wanted to have the lowest content cost per viewer hour, presumably you would fill your entire channel with game shows, but in fact you put on *Sense and Sensibility*. It cannot be a scientific process. Ultimately it is a question of editorial judgment, is it not?

Mr Thompson: Of course. I am very happy to talk at any length you like on this. There has to be a range of different things you look at to work out whether a given programme or a given service is actually achieving its mission and delivering value for

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money. Cost per hour is relevant but only relevant within a particular genre. For example, to state the obvious, a certain kind of factual programme, a leisure programme for example, would cost substantially less to make than a period drama. It does not mean we should flip everything into leisure programmes. Nonetheless you can ask within the context of period drama whether there are ways in which you can make these programmes more efficiently for less money and so forth. The analysis of different kinds of measures, both cost per viewer hour and cost per hour, within a genre can be very useful. One of the things we try to do is try to get the licence fee to go further, not by diluting the mix of programmes, but within the existing mix getting better value. The whole equation of the actual cost of programmes and the value per usage of users itself is only part of our mission. We have also got to produce a range of programmes, for example our news is probably more expensive to produce than other broadcasters because we have an enormous commitment to international reporting which is much more expensive than just getting a few pictures from a news agency. At the right moment it would be very interesting to explore this whole topic. It is one which is vital inside the BBC now because under the new governance arrangements the Trust is charged with really quite intense and regular oversight of this issue. It is also an area where the thinking on the management side of the BBC has moved enormously in the last few years and we are very, very focused on these topics. However, we are not focused on them because we think there is one simple answer, that cost per viewer hour is the answer. It is one of the factors we look at when we are trying to work out whether we can get better value out of the licence fee but still deliver really good programmes at the same time.

Chairman: Thank you. You have been most eloquent.

Q70 Mr Davidson: May I ask what you are doing for me in my constituency? You have your new BBC Scottish headquarters just beside it, a spanking new building and huge amounts of money spent in one of the poorest areas in the country. I understand the merits of centralised purchasing, but do you have any responsibility for the areas in which you are located? Are you specifically trying to make sure that you purchase some things locally in order to support the local economy?

Mr Peat: One of the reasons I referred earlier to the geographical diversity was that it is terribly important that one does not over-centralise, that one does take account of where it makes sense to procure locally because of the benefits there can be to the local economy. During the course of the new few months we are going to be looking at the wider impact of the BBC on Scotland in a number of ways. The point you are making is very valuable and it is this balance between getting the benefits of central procurement where one can, but at the same time taking account of the geographical niceties.

Q71 Mr Davidson: How does that general balance express itself? What positive spending is there in my constituency or the constituency next-door?

Ms Patel: I have the figures here for Scotland as a whole.

Q72 Mr Davidson: I do not represent all of Scotland; at least not yet.

Ms Patel: The figures I have at the moment are for Scotland as a whole. Of our supplier base of 14,000, 5% are based in Scotland. We can give you more details area by area.

Q73 Mr Davidson: That would be helpful. Could you let me have that in due course? If you are spending money in Edinburgh, that might be good for people in Edinburgh but it is not any good to me. There is an issue about the extent to which you are not there just as something out of *Dr Who* that has landed in a poor community and you do not contribute anything to it.

Ms Patel: One of the other things that Beverley Tew's team is doing is going round all of the regions with local chambers of commerce to encourage local suppliers to feel that they can partake in procurements with the BBC, that it is easy to do and explain the process to them. We have done that successfully in Wales and we are intending to do that across the UK.

Q74 Mr Davidson: I was in Stornaway recently looking at your Gaelic provision there. You are clearly a big part in the local economy because it is a very small economy in the Western Isles. What do you specifically do to try to support the economy in the Western Isles? It is possible to see that everything you have there would be shipped in from Manchester or somewhere similar. What percentage of the spend in that location is actually spent in that area and how does that differ from elsewhere?

Ms Tew: That is why we have a long tail of suppliers, because it is really important to us that we get the right suppliers for the right areas. We take advice from our colleagues in Scotland as to what they need.

Q75 Mr Davidson: Okay. Do you know how much or can you tell me how much of the money that is available to be spent by Stornaway is spent in the Western Isles?

Mr Thompson: We do not have that to hand but we can give you information about the spend and the different parts of what we do in Stornaway.³

Q76 Mr Davidson: That would be helpful if you could send that on. The only reservation I have about agreeing to have something sent on is that last time, you may remember, I was pursuing the question of procurement of staff as it were and the extent to which you recruited predominantly toffs from public schools and you gave a clear commitment that you would provide the information. After an exchange of correspondence

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with yourselves which was becoming increasingly petulant from your side, you eventually decided you were not going to give us any more. If you come here and tell us that you are going to provide it, we have a reasonable expectation that we will get it.

Mr Thompson: The difference is that we do obviously historically track expenditure very closely and I cannot tell you this for a fact but I have no reason to believe that we cannot give you a breakdown of our use of suppliers in Stornaway and the whole of the Western Isles. The point about the university backgrounds and school backgrounds of BBC staff, in particular on the school side, was that it was not historically tracked by the BBC's human resources systems; it will be from this year. What we did do, as you know, was to give you as much information as we could, we are not holding anything back here, about the university education of a few thousand entrants to the BBC over a 12-month period which demonstrated, as you will have seen, that actually the proportion of entrants from Oxford and Cambridge, which was your question, was actually very low.

Q77 Mr Davidson: It was less bad than I expected. That was only the final degree; it did not indicate where the first degrees had been of course.

Mr Thompson: That is true but I have to say there is no reason to believe at all that there is a kind of hidden group of Oxbridge figures hiding under these statistics.

Q78 Mr Davidson: We are coming back, as I understand it, to review that in due course because you are now collecting the information and all of this, so we will hear all that in due course. Could I also ask then about the recruitment strategy that you have in terms of recruitment agencies? Are you similarly monitoring backgrounds of the people that you are getting through them, because we do not want the old-school-tie network working through another route at all? I am glad you find this amusing, but I do not. We ought to be an open society. The BBC ought to reflect the society to whom it broadcasts and you already have a disproportionate number of toffs working for you. I just want to make sure that you have more people from areas like mine.

Mr Thompson: To be honest, I am not sure it is established.

Q79 Mr Davidson: Okay, you think it is not. Well you produce me the figures that indicate that you have the percentage from Oxbridge and public school that represent their percentages in society and indeed the proportions from social groups D and E and from areas like mine, then I will accept that you are genuinely representative. Otherwise I will accept an apology.

Mr Thompson: Two or three points about that. We have given you what I regard as an interesting sample of the people we are hiring right now and it suggests that the proportion of people from Oxford and Cambridge represented some 4% between them

of the people who came into the BBC; 23% had no higher education qualifications and 72% had had other higher education.

Q80 Mr Davidson: You will remember actually of course that the figures you are quoting now will include cleaners and will include catering staff. I was specifically asking originally about staff who were doing the broadcasting work and so on and the figures you gave me, if I recall, covered all the staff, which is not quite the same thing.

Mr Peat: No, a number of the cleaning and related staff will be outsourced rather than BBC employees.

Q81 Mr Davidson: You know what I am after.

Mr Peat: We hear you.

Q82 Mr Davidson: When we discussed this earlier on privately you understood what I was looking for but I did not get the figures which I wanted.

Mr Peat: We were disappointed that the information was not available and the information is now being collected. We will make sure there is nothing hidden from those data in the way of coming through different sources and certainly so far as the data on procurement that you are requesting is concerned, I am assured by Zarin Patel that information will be available so it will be presented to you.

Mr Thompson: The other point I want to make is that if you look at what the BBC is trying to do, the investment we have put into Glasgow and Dublin, the investment we put into Salford Quays, we are shifting expenditure and staffing out of central London into the rest of the UK very substantially. By the end of this Charter period 55% or maybe more of the BBC will be based outside London. We absolutely, as we build up our resources out of London, are very, very keen to work with local communities, if necessary with local schools and colleges and others, to make sure we are getting a broader cross section of people into the BBC. I have to say I accept, and we will try to get you more data to back this up fully, I believe that we have moved from a position where you could not look at the people coming into the BBC and say you are representative to a picture where we are genuinely trying to reach out and get a much broader cross-section of people into the BBC.

Mr Davidson: I accept that you are certainly moving in the right direction. Representing the area that I do and I am sure others are in an equivalent position, I have had meetings with Govan shipbuilders, with Thalys, with Southern General, with a number of other employers, all of whom are now making much bigger efforts to recruit from a poor local area than you are and that is what concerns me and we will continue to monitor this.

Q83 Mr Mitchell: I see you are projecting much bigger savings this year, £42 million 2007–08, than in previous years and £27 million in the period before. How far does this correlate with the fact that you are firing people at the same time? If you have fewer staff, you need less purchasing.

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Mr Thompson: The main reason that the numbers are building over this three-year period is because we have had a three-year plan and as existing contracts have come to an end and we have been able to renegotiate or re-tender, we have been able to make the savings over the period. It is more to do with the strategic approach we have taken to procurement than it is to do with anything else. What we did when I joined the BBC three years ago was to look incredibly hard at areas of overhead and areas like procurement where we thought there were deep savings to be made so that we could take money we saved from this and put it into programmes and services. What is happening now in the BBC, which is using all this money we are saving, as part of the story we are also having to look very, very hard at the totality of our operations including our spend on programmes and content to make sure that within the licence fee settlement we have got we can deliver what we need to do both for audiences and for the people.

Q84 Mr Mitchell: So when does the big reduction in numbers come then?

Mr Thompson: It will happen over the coming months. That process has begun and although the plans I announced last October are over a five- to six-year framework, the biggest reductions will take place over the next 12 to 18 months.

Q85 Mr Mitchell: I accept what you say about the contracts building up and being changed but that will lead in itself to further economies in procurement will it not?

Mr Thompson: To some extent, of course. Those costs which are related to headcount will come out of the system. There are quite a few costs in here which are related to production and it is possible to have fewer people inside the organisation but still to be spending a great deal of money making programmes and those costs will remain the same. You will see some effect but the effect of reduced headcount is already built into the forward plans.

Q86 Mr Mitchell: It can also be the case that reducing staff numbers actually produces diseconomies. Your expenditure on people and resources has gone up substantially. How far is that to do with the fact that you are employing temporary staff to replace the permanent staff you fired?

Mr Thompson: You are right to point to this as a risk and something which should be monitored very closely. The critical number for me is the total spend on people and to make sure that is coming down steadily. As we change the way the BBC operates, a project like *Future Finance*, which is delivering very, very deep savings in our finance function, has required a bulge of temporary staff to help us make the transition. I would say two things: one is that we have to be very careful that taking temporary staff into account the total staff costs are coming down; secondly, we have to make sure that once that project bulge of temporary staff is over, the temporary costs are coming out as well so you are

getting the full long-term savings. You are right to say that it is very important that as we bear down on one set of costs we do not discover that, like a carpet when you get rid of one bulge, the same cost pops up somewhere else. What we try to do is look at different cost lines together and it is the same with people but obviously we want to make sure that what we are not getting is large numbers of people leaving the BBC and coming back under a different heading.

Q87 Mr Mitchell: You said it was only a small proportion of temporary staff. What is the proportion of temporary staff?

Ms Patel: Our total staff costs right across the BBC are some £900 million. This year, the year we are just in, our temporary staff costs are £35 million.

Q88 Mr Mitchell: Is that increasing or diminishing?

Ms Patel: No, the increase that is identified in the Report was as a result of this short-term value for money project. In the current year, as those projects come to an end, temporary staff costs have come down from £52 million level to under £35 million, so much more our normal annual level. Of the total we spend in the BBC on temporary staff about £35 million a year and our total staff costs are £900 million. So it is a very, very small percentage.

Q89 Mr Mitchell: Is it BBC policy to keep the temporary staff at a minimum? Personally I think it would be disgraceful if you went down the same path as ITV and took an increasing proportion of temporary staff on short-term contracts.

Mr Thompson: Our approach to staffing is to have a healthy mixture of people who are on long-term contracts, continuing contracts, fixed-term contracts, with some freelancers and temporary staff in the mix and it varies by activity. In television drama, there is across the industry, and has been for decades, a culture of high volume freelance staff being brought in; the newsrooms are very different. Our employment practice is based on having the right mixture, which will always include in areas like journalism a large number of people on long-term continuing contracts.

Q90 Mr Mitchell: Yours is a big empire and Mr Davidson has just asked questions about purchasing in Scotland in the local economy. Say I was in the happy position of running Leeds or Hull, how much freedom would I have in respect of services and goods I purchase? Where is the cut-off point that I have to have them purchased centrally and what can I do?

Ms Tew: We have procurement people who are based geographically in different locations representing local needs. We also have people based in divisions, so whilst we are trying to centralise procurement and maximise our purchasing leverage, we are trying to do that and take our customers with us and make sure that we represent the needs of the local BBC businesses.

Q91 Mr Mitchell: Say it comes down to something basic like toilet rolls. Do we have BBC lorries trundling up the M1 with toilet rolls from London to Leeds.

Ms Tew: No, we do not.

Q92 Mr Mitchell: That is purchased locally?

Ms Tew: Toilet rolls are actually purchased as part of our facilities management contract which is one of our strategic contracts.

Q93 Mr Mitchell: Stationery is purchased centrally?

Ms Tew: Stationery is purchased centrally. It is purchased centrally so that it can be a catalogue on our system. It is much more efficient to have one supplier who has a national network to deliver stationery, rather than to have lots of local ones and to have it all going through different suppliers and having to pay £38 for an exceptional request each time we need to pay it. It is about finding that balance. Stationery is an example where we should centralise, but post-production around some of our local offices should be done locally. To supply props should probably be done locally.

Mr Thompson: As you find in any big organisation, there is a natural tension here between the potential savings you get from having big contracts and the fact that understandably the head of operation in Hull on the face of it would like as much local immediate supply as possible.

Q94 Mr Mitchell: I was wondering about the scope for fraud. I do remember in my time working for the BBC there was a major scandal of film crews purchasing services which did not exist on the basis of receipts from electricians or whatever when working overseas particularly. Does electronic purchasing increase the scope for fraud or diminish it?

Mr Thompson: To be honest, we have been pretty much through a revolution in the levels of control that we apply since the good old days.

Ms Patel: Anything above £25 has to be independently authorised by someone else before you make the commitment to purchase and that is the revolution that Mark is referring to. You are not allowed to purchase and authorise things yourself. You cannot pay an invoice unless someone else has checked that you have received the service. Electronic purchasing systems over the last six or seven years have transformed the control environment around purchasing.⁴

Q95 Mr Mitchell: The other interesting thing I remember was huge expenditure on taxis which sat around waiting outside Lime Grove while we drank ourselves stupid inside Lime Grove. I see now you have changed the procurement pattern and journeys between 6:30am and 10:45pm are deductible from salary, but of course *Newsnight* finishes at 11:15pm. What happens to them?

Mr Thompson: We have operations running, programme and other operations running 24 hours a day, many of them running on quite variable schedules.

Q96 Mr Mitchell: So do individual programmes do individual deals with individual taxi firms?

Mr Thompson: No. Staff are allowed to claim late night transport between those hours to go home after a shift, as I believe House of Commons staff are after 11 o'clock as well. However, what we have done is make clear that if staff use taxis at other times of the day, it is automatically deducted from their salary, so unless there is a very, very good reason why they did that, that becomes a personal cost.

Q97 Mr Mitchell: Is car hire, which is on a big scale, from a specific firm or do you have a contract with a number of them?

Mr Thompson: I will ask Beverley to tell you about how we handle taxi and transport costs.

Ms Tew: We have a number of different taxi firms but they are managed by one service provider who provides the electronic booking system. All the taxis are booked online, allocated to the different minicab companies and then we get management information about which journeys have happened, who has taken them et cetera, which enables us to control costs even more.

Q98 Mr Mitchell: You are having more programmes produced by outside organisations. The announcement frequently comes up at the end of programmes, particularly on radio but also on television, that it has been produced by Egomaniac Associates for the BBC or something like that. Their purchasing is all up to them. They do not use your centralised purchasing system, is that correct?

Mr Thompson: Yes, that is generally the case.

Q99 Mr Mitchell: So if I am producing a costume drama, I will not be using the expertise of the BBC's association with costume drama manufacturers?

Mr Thompson: You could do. You could choose to use the BBC's costume and wigs department inside BBC resources to provide the wigs and the costumes that you need.

Q100 Mr Mitchell: How far has the BBC gone into the current pattern of outsourcing and having everything done, costume dramas or whatever, in China?

Ms Patel: Across the BBC, including programme making, 45% of the BBC spend is outsourced to other service providers; that includes transmission, play-out, finance, HR services and technology services. For independent television companies and independent radio companies and independent online companies, the ratios are slightly different and they depend on the window of creative competition. Overall in the last year, about 30% of the BBC's content was made by independent production companies across television, audio and online.

⁴ *Note by witness:* Any expenditure over £50 (with a preferred supplier) requires authorisation by somebody with the appropriate limit. All new suppliers have to be approved by BBC Procurement.

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Q101 Mr Mitchell: How many of the services provided are purchased overseas? If I ring up to complain, am I going to be answered from Bangalore?

Ms Patel: The only services where we have gone outside the UK are the finance services.

Mr Peat: We did actually specifically consider at the Trust level a policy on outsourcing and we determined that any contacts with licence-fee payers should be retained within the UK, that that type of activity should not be outsourced beyond the UK.

Q102 Mr Williams: Sir John, I am a little puzzled, when turning the first page over I find on the second page something headed: "BBC Procurement BBC Trust response to the National Audit Office Value for Money study". You do not normally do that for a department do you? The departments are not allowed to get their answer in before it has been before the Committee, are they?

Mr Hawkswell: This is a particular feature of the arrangements we have for doing our work.

Q103 Mr Williams: Do you mean that they are allowed to get their answer in first?

Mr Hawkswell: I would not put it in those terms. What happens is that we produce our Report, agree it with the BBC and the Trust.

Q104 Mr Williams: Did you suggest it to them?

Mr Hawkswell: No, it is part of the arrangements.

Q105 Mr Williams: You did not offer it I assume because it is not your standard procedure.

Sir John Bourn: It is certainly not standard procedure, you are right to say. It does not apply to the generality of our work.

Q106 Mr Williams: I am puzzled as to why you should concede it here. Why on earth should they get an advantage that no department gets of getting their answer in before it has been before this Committee? It does not make sense. Why did you agree to it?

Mr Hawkswell: I believe this is just part of the way that the Government have set up these arrangements for our work at the BBC.

Q107 Mr Williams: The Government set it up?

Sir John Bourn: Yes.

Mr Hawkswell: This is an agreement between the DCMS and the BBC.

Q108 Mr Williams: The Department set it up and imposed it on the National Audit Office?

Sir John Bourn: The arrangement for this series of value for money studies of course does not rest on unilateral access rights in the way that all our other work does.

Q109 Mr Williams: We understand that and we have had this row and I am not going to go over it again because we all know what we as a Committee think, that you should be absolutely open and absolutely freely giving access to the NAO. What I do not

understand is why the NAO was forced to accept your right to get an answer in, unlike any government department, even the department that imposed it, when a report on it comes to this Committee. Okay, in that case, as it is your reply, there is a degree of ambiguity in the one paragraph: "The NAO review focussed on £531m of the £1.3bn spend which was the BBC's spend on goods and services not covered by outsourced contracts with strategic partners". Was it the £531 that was not covered or was the whole £1.3 billion the figure that was not covered? I am assuming it is the latter, but it is ambiguous.

Mr Peat: The focus of this review was on the £531 million which was spent on goods and services, not on the other £800 million which was on long-term strategic contracts. As part of the draft programme that we have for the period going forward we are anticipating that there will be a study on strategic management, on managing the relationships and contracts with strategic partners that the NAO have suggested to us should take place and that, subject to agreement by the Trust over the next week or two, we would anticipate being in the programme to be undertaken by the NAO over the coming period.

Q110 Mr Williams: Just so I am clear in my own mind, this is only £531 million of the category which covers £1.3 billion.

Mr Peat: Correct.

Q111 Mr Williams: Who chose the £531 million?

Mr Peat: My understanding is this was certainly agreed with the NAO and I believe in fact it was the NAO proposal that that should be the focus of this Report and the other strategic relations are to follow.

Mr Hawkswell: The proposal that we should look at what we might describe as routine procurement was our suggestion. The Committee has previously taken evidence on one of the BBC's major strategic contracts which is its contract for Siemens for IT services. So the Committee had already examined that. The processes around this £500 million are really quite different but, as Mr Peat says, we, subject to the Trust's approval, do have it in mind that we ought to have a more general look.

Q112 Mr Williams: So you are reporting on less than half of the category that is not covered by outsourced contractors and strategic partners. So what are the principal costs in that overall category that are not covered in this Report which make up the other £800 million cost? That is a significant sum of money.

Mr Thompson: At the bottom of this very paragraph, it gives some of the examples: TV licence collection, transmission and facilities management and the large Siemens technology contract would be another example. They are all of course possible and probably very fruitful things for the NAO to look at in the future. They have already looked at the Siemens one.

Mr Peat: We certainly agreed with the NAO that the area that was covered was of itself sufficiently substantial to merit close examination and that the procurement approach for these goods and services was very different from the strategic contract arrangement which merited separate examination.

Q113 Mr Williams: Where would, for example, say, travel come, because that must be a significant annual cost for the BBC?

Mr Peat: Travel is within.

Q114 Mr Williams: Within? Where is it?

Mr Peat: It is in the £531 million.

Q115 Mr Williams: Yes, but I do not see it anywhere.

Mr Thompson: It is covered in the Report.

Ms Patel: It is in table two on page seven, under logistics. All our travel, hotel, conferences, couriers, moving things around the BBC and outside are covered there.

Q116 Mr Williams: Does that include all air travel and that sort of thing as well?

Ms Patel: Yes.

Q117 Mr Williams: So that is £76 million?

Ms Patel: In total; yes.

Q118 Mr Williams: Do you have, like a government department, a regime for travel? How does that regime work? For example, a permanent secretary travels club class, what sort of class would the board travel?

Mr Thompson: Zarin, do you want to remind us all of the travel policy.

Ms Patel: We have an expenses policy which covers every item of discretionary expenditure that people have. We have about 400,000 hours of programming which require journalists and programme makers to travel across the UK and abroad. Let me start with our expenses policy for taxis, for example, which is to say that staff must use the most cost-effective, that is the cheapest route to the place they are going and in most cases that is expected to be public transport. Taxi use must be justified.

Q119 Mr Williams: Taxis are probably a negligible part of it. What about international air travel?

Ms Patel: On air travel we have a limit which says we must use the lowest-cost carrier wherever possible. The only instances in which you can go for business class or premium economy is where the flight is over four hours long and you are expected to work immediately after landing and, again, that must be pre-approved by your manager.

Q120 Mr Williams: So they do not travel first class?

Mr Peat: Nobody travels first class. It is over four hours and working immediately before it gets to club or business class.

Ms Patel: We have guidance rates also for hotels, so hotels have to be a certain rate.

Q121 Mr Williams: It is comparable then with the Civil Service.

Ms Patel: Yes, it is. We have two further checks and balances as well. We look at all exceptions and once a year the audit committee of the executive board looks at all expenditure to make sure that it is in line with value for money considerations and is a good and proper use of BBC money.

Q122 Mr Williams: In that case, would you give me a detailed written explanation of the situation just so we can compare it with the Civil Service and that is all I want.

Ms Patel: Yes.⁵

Q123 Mr Williams: I still say that I find it strange that we as a Committee of Public Accounts are willing to tolerate having a report submitted to us which requires that the witnesses coming before us are allowed to get their answer in before they have even appeared and answered the first question from us. It is outrageous, it is even worse than the system whereby you virtually choose the subjects; you know our usual rant on this. We think we should have full access for the National Audit Office and this, in a way, demonstrates the way in which we are limited as far as the BBC is concerned and the BBC seems perfectly happy to shelter behind that limitation.

Mr Peat: If I may make a comment on that Mr Williams, so far as we at the BBC Trust are concerned, I re-emphasise that we value very highly the reports that we receive from NAO and by other outside parties as part of the value for money programme. Do remember the overall programme is agreed with the NAO but they only undertake some of these studies for us; some are undertaken by PricewaterhouseCoopers or Deloitte or whomsoever. Our approach in each of them is to get the final report which is agreed factually in this case with the NAO but it is their report and then we, as the Trust, seek from the executive how they are going to respond to the recommendations. We take our responsibilities for oversight of value for money very seriously so we will challenge the executive to respond to the recommendations made by NAO or by other parties and we will require that those responses be adequate. You will see there are in fact two responses here: one is from the executive and then from the Trust. In terms of our role of safeguarding value for money, we require that we have looked at the Report and the BBC's response and we then take it forward on that basis. I understand what you are saying, but so far as the PAC is concerned, the Report is here and that is the NAO's Report.

Q124 Mr Williams: There is this divide between us where you will not even address the basic problem. The basic problem as far as we are concerned is that many of the reports we get arise as a result of the National Audit Office having gone in to audit and carried out an audit and in its audit function it discovers things that need further investigation and

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it then pinpoints the items that they think appropriate for value for money examinations. They do not have that access and they do not know what is going on under the covers: you are the only people who know what is going on under the covers and you are the ones who decide what is to be examined. How do we as the Committee of Public Accounts know that the things that it would be most important to look at are the things that you put to the NAO. We have no way of knowing that.

Mr Peat: May I just give two responses to that. One is that as part of the development of the forward programme for 2008 and beyond, we allowed Sir John and his people to have access to anyone on the executive board that they wish to speak to in order to discuss whether there are any areas from those conversations that they wish to suggest to us should be included in the programme. So for the development of the forward programme Sir John and his people had open access to all members of the BBC Executive Board. Point one. My second point is that we invited the NAO in to help us to define and to determine how to measure the efficiency improvements that we are challenging the BBC executive to deliver over the next five years and we are asking the NAO to come back mid term to see how the BBC is delivering on its challenge of 3% *per annum* improvements. That work by the NAO in looking at measurement and definition of efficiency and in how the BBC is delivering on that will give it a great deal of knowledge about what is going on which again will help the NAO to suggest to us areas. We have never disagreed with the NAO on areas for coverage and I hope that will never happen and it would be public if it did. I believe, both by giving Sir John and his people access to the BBC board in delivering the forward programme and by their work on efficiency savings, that they will become very well informed and be better placed to suggest the right work.

Mr Williams: If they are so well informed, why on earth is it dangerous to you to have them in there to do the audit work? We just cannot understand your argument and you go on at enormous length and I do to you as well, but we do believe very sincerely as a committee because we regard this as an important exception. The Sharman Committee was set up to look at access for the Committee of Public Accounts. Government departments and quangos which have been excluded have all come in. Government companies which were excluded have all been brought in. Only two people have not come in and you are one of them; the BBC, and you are resisting every attempt because at the end of the day, you, under the present system, control the areas they should be allowed to look at whether they want to or not.

Q125 Chairman: There is no point repeating the argument; you know our position very well. Mr Peat, you have just made the point that you have never disagreed, have you, with any request from the NAO for a topic that they should look into?

Mr Peat: Correct.

Q126 Chairman: So under these arrangements the sky obviously has not fallen in, you have never disagreed with a request. What do you have to fear then?

Mr Peat: I will simply repeat what we have said before and what we said at our last meeting. Under the new Charter we on the Trust are charged with safeguarding value for money for licence-fee payers but we are also charged with safeguarding the independence of the BBC and the arrangements set out under the Charter are for the programme as we have discussed. We have tried very hard to enhance the access of the NAO to information that will help them to work with us to develop the programme, which is why I made the two points I made to Mr Williams. We take this value for money programme very, very seriously and we take the NAO involvement very seriously. We have endeavoured within the process set down in the Charter to enable the NAO to be better informed, to help us to determine the studies. Going beyond that would be repeating discussions we have had several times before.

Q127 Chairman: We know where we stand.

Mr Thompson: May I add two very brief points? The first one is to point out the compromise which is currently being worked and was Lord Sharman's suggestion; Lord Sharman suggested the compromise that is now operating. The second point is an obvious one but, for the avoidance of doubt, the management side of the BBC are not involved in this decision making about what should be audited and what should not. We have no veto and for obvious reasons. So between the Trust and the NAO, any part of the BBC's operations can

Q128 Chairman: There is no discussion between the two parts. There has never been a discussion between you and Mr Peat about Sir John wanting to look at something and what you think about that. That has never been a topic of conversation.

Mr Thompson: There is no sense at all that I or my colleagues on the management side—of course work plans are discussed—

Q129 Chairman: So it has been discussed; it is discussed.

Mr Thompson: There is no sense at all that we can influence in any way the decision about what should be studies or not.

Q130 Chairman: It is discussed though.

Mr Peat: The decision is entirely for the Trust.

Q131 Chairman: But it is discussed.

Mr Peat: Of course we will discuss at times in order to obtain information which helps us to form the best judgment of studies which will help deliver value for money for licence-fee payers.

Q132 Chairman: I do not think we can take that any further. May I ask a question on logistics, which Mr Williams was also asking about? Take one practical example, the American primary campaign going on. There is a lot of interest in that. Is there some benchmarking against ITN about the costs and how many people you are flying in, journalists, what it is costing compared with them? Do you work these things out? There has been criticism in the past about extravagance in terms of BBC News teams for this sort of major news story which is going to unravel over the next eight months.

Ms Patel: The department heads in news gathering would make a judgment about the story, about the scale of the story and how much presence they actually need and how much coverage across our channels they are giving. It is very, very hard to get that kind of detailed information from other news broadcasters. You would have a great sense as you go about of how many people you need. The biggest issue for the BBC is how many outlets we have to cover compared with others. That is the single biggest issue.

Mr Thompson: It is a really important point. If you take together the UK network, television, radio and web operation, the World Service the rest of global news, the global website, we have a different order of magnitude in terms of numbers of outlets and also even within the UK the different volume of news and current affairs. We run on BBC Television regular daily editions of *Newsnight* as well as news summaries. We run a news-based breakfast programme, we have on the radio, in addition to bulletins, thinks like the *Today* programme, the *World at One*, the *World Tonight*, the *World this Weekend*. Because of the range we reach a very large proportion of the UK population; well over 80% of the UK population will hear about the American elections via the BBC. It means that although you can compare us with some global news organisations, there is no real comparison in the UK either in the print media or in broadcasting for the sheer scale of what we are trying to do.

Q133 Mr Davidson: May I follow up one point which I was not aware of before? *The Guardian* published something on Saturday 29 December about lavish lunches and nights at the opera for BBC executives. Since it is in *The Guardian* I assume it must be true. It does raise a question here about the integrity of the procurement process and about the relationship, particularly with headhunters. It says here that the chief executive of the commercial arm, BBC Worldwide, John Smith attended three operas in a month—he would not meet many of my constituents there—at Glyndebourne and Holland Park as guests of head hunters Zygos and Korn/Ferry. That clearly raises some anxiety about the closeness that somebody who is procuring has with somebody who is offering services. What system do you have to supervise what is happening in situations like that? Do you have a register of interests in which members of staff and member of the board have to sign off above a certain level, as MPs do? Can we see it?

Ms Patel: We do have a register of interests and hospitality accepted as well. In both these particular cases Worldwide has been significantly changing and adding to its management team and therefore both Korn/Ferry and Zygos have been involved in recruitment with us over the last year in Worldwide. In both of those cases I was the other party to the recruitment and I therefore approved, together with John, that we use those recruitment and headhunter agencies for the right reasons. It is very much like consulting spend. Headhunters have to be approved either by the Director of BBC People or myself because they are incredibly expensive.

Q134 Mr Davidson: Which is presumably why they have enough money to take people to Glyndebourne and the opera. However, that was not quite the point I was making. Is there a register? Is there a minimum level? Who supervises it and can it be made available to us?

Ms Patel: I am sure it can be made available and I think it is published on our online site anyway but I will check on that.

Q135 Mr Davidson: I am not sufficiently sad to check these things all the time.

Mr Thompson: Yes, there is and yes, of course you can.

Ms Patel: All conflicts of interest, hospitality, entertainment have to be reported to the Executive Business Unit where the General Counsel maintains the register and that is available and most of it is published online but we can let you have it.⁶

Q136 Mr Davidson: If it is published online why does it say in this article that it was obtained under the Freedom of Information Act?

Mr Peat: The register of interests is published online and I believe it is updated every six months; it certainly is for Trust members. This information may be about particular hospitality received which will be kept on record but it may not be published in the same way.

Q137 Mr Davidson: So they would not have to use the Freedom of Information Act to get the register but they would have to use it to get the hospitality.

Mr Peat: That is my understanding.

Q138 Chairman: This fascinating afternoon is apparently being broadcast and you can watch it at 3pm on the Parliament programme. Do you have any idea what the content cost per viewer hour of that programme will be?

Mr Peat: Can you forecast the number of viewers for us?

Q139 Chairman: I would be interested to know how few viewers there will be.

Mr Thompson: I think the issue is that the sheer quality of the proceedings means that it is good at any price. May I just correct one point I made earlier on? I am afraid I may have misled Dr Pugh slightly.

⁶ Ev 19–22

BBC

This is in relation to iPlayer downloads. Although you have been able from Christmas Day to get streaming on both Mac and Linux platforms, we have not yet delivered downloads on these platforms. We are required by the Trust to do so within two years. We will get those available as soon as we can.

Q140 Chairman: I might just have the last word and say that you might get more viewers if the *Radio Times* actually listed the select committee hearings. The British public are not telepathic. How can they possibly know that these things are being broadcast when you do not list them anywhere?

Mr Thompson: May I respond to the slightly broader point which is that I would like to find ways of bringing the work of this and other select committees to greater prominence with the public and give them more opportunities to see the way in which Parliament oversees accountability. It is an important part of our democratic process, it does not get the attention it deserves and whether it is *Radio Times* listing or other means, we should look at ways the work of this and other committees is brought more widely to the public's attention.

Mr Peat: I think you meant Parliament in the plural there; parliaments.

Mr Thompson: Of course.

Chairman: Thank you.

Supplementary memorandum submitted by the BBC

Question 63 (Mr Richard Bacon): *Cost per user hour*

Cost per user hour data for the BBC's main services is attached below (information extracted from the BBC's 2006/7 Annual Report and Accounts page 74, table 23: <http://www.bbc.co.uk/annualreport/>)

Table 23

CONTENT COST PER USER HOUR PER SERVICE

	2006-07 £	2005-06 £
Television channels		
BBC One	0.07	0.06
BBC Two	0.07	0.06
BBC Three	0.16	0.21
BBC Four	0.21	0.29
The CBBC Channel	0.15	0.17
Cbeebies	0.02	0.02
BBC News 24	0.12	0.14
BBC Parliament	0.24	0.22
BBCi	0.04	0.04
Radio stations		
BBC Radio 1	0.01	0.01
BBC Radio 2	0.00	0.00
BHBC Radio 3	0.05	0.05
BBC Radio 4	0.01	0.01
BBC Radio Five Live	0.02	0.02
BBC Five Live Sports Extra	0.03	0.03
IXtra	0.06	0.06
BBC 6 Music	0.04	0.05
BBC 7	0.03	0.03
BBC Asian Network	0.05	0.06
English Local Radio	0.02	0.02
Radio Scotland	0.06	0.05
Radio nan Gàidheal	0.09	0.08
Radio Wales	0.04	0.04
Radio Cymru	0.09	0.08
Radio Ulster & Foyle	0.03	0.03

	2006–07	2005–06
	£	£
Online		
bbc.co.uk	0.16	0.17
BBC jam	2.56	1.79

NOTE: BBCi, bbc.co.uk and BBCjam are calculated to give a cost per user reached.

BBC's service licences are published on the BBC Trust website:
http://www.bbc.co.uk/bbctrust/framework/bbc_service_licences/index.html.

The Service Licence for BBC Three is available at:
http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/tv/tv_servicelicences/bbcthree_servicellicence_18dec2006.pdf

Question 75 (Mr Ian Davidson): *Analysis of spending in Scotland/Stornoway*

ANALYSIS OF SPEND WITH SUPPLIERS BASED IN SCOTLAND 2006–07

Postcode area	Goods & Services		Broadcast Markets**	
	Spend £000	No of Suppliers	Spend £000	No of Suppliers
Aberdeen	126	36	1,422	5
Dumfries	25	12	26	3
Dundee	312	22	126	10
Edinburgh	7,919	143	997	51
Falkirk	143	21	1	1
Galashiels	26	11	3	3
Glasgow	11,515	343	17,691	79
Inverness	126	37	106	13
Kilmarnock	14	11	0	1
Kirkcaldy	37	10	327	8
Lerwick	51	10	1	3
Motherwell	266	21	1	2
Paisley	273	34	552	10
Perth	26	12	116	3
Stornoway ¹	25	16	70	5
Wick	4	5	1	2
Grand Total	20,888	744	21,441	199

¹ Analysis of Stornoway postcode area

	Spend £000	No of Suppliers	Spend £000	No of Suppliers
Stornoway	17	11	60	2
Isle of Lewis	5	2	11	3
Benbecula	3	2		
Barra	0	1		
Total	25	16	70	5

* Grouping is based on supplier's postcode.

** Broadcast markets includes spend on programme acquisition, independent commissions, copyright and royalties.

Question 122 (Mr Alan Williams): *BBC's Expenses Policy—Travel, transport, overnight accommodation (Key points)*

Wherever practicable, the BBC's audio and video conference facilities are a preferable alternative to travelling. All travel must be authorised. BBC travellers should use the lowest cost means of travel and fare. Travel should be booked via the BBC's preferred suppliers.

Upgraded travel, ie above economy, is not appropriate for journeys of less than 4 hours. For longer journeys, in exceptional circumstances, upgraded travel (but never first class) may be justified for business need, and in very exceptional circumstances, on health grounds. In any of these circumstances, the travel must be authorised in writing by Head of Department or above.

Minicabs can be booked for business purposes if it is the most cost effective means of transport; bookings should be made via the BBC's preferred supplier. You are expected to meet the full cost of all journeys between your home and your normal place of work (except for journeys overnight which fall within the expenses policy—see below).

If you have no means of getting to and from work in the early morning (start or finish time before 06.30) or late at night (start or finish time after 22.45), the BBC can provide transport, within 40 actual miles from your normal place of employment. For a journey outside the 40 mile distance, or outside the prescribed hours, an authorising manager can require a contribution from the employee which will be the cost of the journey over 40 miles or the whole cost of the journey when outside prescribed times.

If you have to stay away from base overnight, the BBC will pay for the cost of a standard single room with bathroom facilities. The cost of the room (excluding VAT) should not exceed £75 for room only or £85 for bed and breakfast. If it is necessary to pay more, for example in central London, or where there is increased demand for accommodation due to a particular event, or where access to business facilities is required for operational reasons, the cost should be agreed in advance with the authorising manager.

Question 135 (Mr Ian Davidson): *BBC policy regarding receipt of hospitality*

BBC POLICY RE RECEIVING HOSPITALITY (EXTRACT FROM BBC EXPENSES POLICY)

2. Receiving hospitality or gifts from organisations or individuals

2.1 Receiving hospitality

Whilst modest hospitality is an accepted courtesy of a business relationship, the recipient should not allow a position to be reached whereby its acceptance might be deemed by others to have influenced a decision or lead to potential allegations of conflict of interest.

Invitations to modest corporate entertainment events may be accepted if there is clear benefit to the BBC eg to build supplier relationships or to network with other customers/contacts. Before any invitation is accepted line manager approval must be sought in writing.

Invitations should not be accepted if the event is overseas or includes an overnight stay.

Invitations which include partners may be accepted, with line manager approval, and provided they meet the above criteria, if there is no cost to the BBC.

2.2 Receiving gifts

Gifts (for you or your immediate family) from organisations or individuals with whom you have, or might have, business dealings on behalf of the BBC should not be accepted. This can include goods and services in kind, at preferential rates or cash. Gifts should be returned to the sender or donated to charity.

Very modest gifts eg diaries or a bottle of wine, of say less than £25 in value, may be occasionally accepted.

HOSPITALITY RECEIVED POLICY FOR THE EXECUTIVE BOARD

3. Accepting Hospitality and Gifts (3)

- 3.1 A conflict of interest may arise if a Member, when undertaking their duties, seeks or accepts gifts and/or hospitality which may influence or appear to influence their decision making.
- 3.2 Whilst hospitality is an accepted courtesy of a business relationship, a Member should not allow a position to be reached whereby its acceptance might be deemed by others to have influenced a decision or lead to potential allegations of conflict of interest.
- 3.3 The decision to accept hospitality is a matter of judgement. Members may wish to seek the advice of the Chairman, or the Head of the Executive Unit, in determining what is appropriate.
- 3.4 Members should notify the Head of the Executive Unit of any significant(4) gifts or hospitality that are accepted (following consultation with the Chairman). These will be entered into the hospitality register, which is maintained by the Executive Unit.
- 3.5 Members must not solicit or accept benefits, entertainment or gifts in exchange for, or as inducement for doing any act associated with their duties or responsibilities. Gifts from organisations or individuals with whom the BBC has, or might have, business dealings should not be accepted. Gifts should be returned to the sender or donated to charity.

See also the BBC's expenses policy and sections 36 and 37 of the summary for Senior Managers. Sections 22–35 of the Senior Manager's summary cover the provision of entertainment and gifts.

(4) Significant can be defined as gifts with a value above £25 (as per the BBC's main expenses policy) and hospitality with a value of £100 or above.

Upon receipt of hospitality or gifts Executives notify the head of the Executive Unit who is responsible for maintaining a "hospitality/gift received" log. (References to the Chairman are to the Chairman of the Executive Board).

The log for the year 1 January 2007 to 31 December 2007 is reflected in the information attached below.

<i>Name of recipient</i>	<i>Date received</i>	<i>Source of Hospitality/Gift</i>	<i>Description of hospitality</i>	<i>Estimated value</i>	<i>Other/Comment</i>
Caroline Thomson	February 2007	Ofcom	Art of Communications Ofcom annual reception		
Caroline Thomson	March 2007	DCMS	DCMS Event Government Art Collection		
Caroline Thomson	April 2007		Baroness Denise Kingsmill Competition breakfast		
Caroline Thomson	April 2007	Ernst & Young	Ernst & Young Renoir Landscapes		
Caroline Thomson	April 2007	Japanese Minister	Clock	est above £25.00	
Caroline Thomson	July 2007	Centre Forum	Centre Forum Summer Party		
Caroline Thomson	July 2007	HM Treasury	Treasury Summer Drinks Party/Dinner at House of Lords		
Caroline Thomson	July 2007		Dinner at House of Lords		
Caroline Thomson	August 2007		PPF & TPF Dinner		
Caroline Thomson	September 2007		Sandwich Lunch with Stephen Grenhalgh and others (meetings)		
Caroline Thomson	September 2007		Cultural leaders event, The Lowry Centre, Salford		
Caroline Thomson	September 2007	PWC	PWC Media Forum		
Caroline Thomson	October 2007		Lunch with Andrew Smith and Debbie Scott (Tomorrow's People)		
Caroline Thomson	October 2007		Breakfast Centre Forum		
Caroline Thomson	October 2007		Lunch with Will Wyatt		
Caroline Thomson	October 2007		Romeo & Juliet with Andrew Smith		
Caroline Thomson	October 2007		Tomorrow's People Dinner		
Caroline Thomson	November 2007		Guest to the ballet at Covent Garden, including dinner, occasion to meet Malcolm Rifkind		
Jana Bennett	February 2007		The Brits invited by organisers of The Brits		
Jana Bennett	March 2007		1 Book—The Ministry of Special Cases	£14.99	Faber and Faber—given to Children in Need Raffle
Jana Bennett	March 2007		Tin of Biscuits	£20.00 approx	Francesco de Mastro—consumed in meetings
Jana Bennett	July 2007	Chairman, AELTC	Hospitality at Wimbledon (Guest of Chairman, AELTC)		AELTC—part of on-going contract
Jana Bennett	July 2007	Warner Bros	Film premier invited by Warner Bros		
Jana Bennett	July 2007	Really Useful Group	Opening night invited by Really Useful Group		
Jana Bennett	September 2007	Mercury Music Prize	Mercury Music prize invited by Mercury Music Prize		
Jana Bennett	September 2007	Disney	Film Screening invited by Disney		
Jana Bennett	September 2007	British Museum	Exhibition invited by the British Museum		
Jana Bennett	September 2007		3 t-shirts and a fleece—Heroes promotional goods	£40.00	NBC Universal. NB: Received after the Heroes acquisition deal was agreed
John Smith	January 2007	Lehman Brothers	Theatre—guest of Lehman Brothers		
John Smith	April 2007		Dinner in honour of Minister of Comms for The People's Republic of China, Mr Cal Wu; with Tessa Jowell		
John Smith	June 2007	Zygos	Glyndebourne Opera		
John Smith	June 2007	Korn Ferry	Holland Park Opera		
John Smith	July 2007	Korn Ferry	Holland Park Opera		
Jenny Abramsky	November 2007	Chapple Davies	CD of Van Morrison's Greatest Hits from Chapple Davies		
Jenny Abramsky	September 2007	British Museum	Exhibition invited by the British Museum		
Mark Byford	June 2007	Craig McNeill, Beggars Artists Management	2 x White Stripes guest list passes, 1 White Stripes CD single, 1 Dizzee Rascal CD	CDs worth £12.00	West to gig by CDs not taken
Mark Byford	June 2007	Beggars Artists Management	2 guest passes for White Stripes concert invited by Beggars Artists Management		
Mark Byford	October 2007	IMG Sports rights Group	Ticket for Rugby World Cup Final invited by IMG Sports rights Group		Travel and accommodation paid by Mark B
Mark Byford	October 2007	NFL	Complimentary tickets for Miami Dolphins v New York Giants game at Wembley invited by commissioner of NFL		
Mark Byford	December 2007	KPMG	Ticket to concert at O2 Areas		

<i>Name of recipient</i>	<i>Date received</i>	<i>Source of Hospitality/Gift</i>	<i>Description of hospitality</i>	<i>Estimated value</i>	<i>Other/Comment</i>
Mark Byford	December 2007	O2 Areas management	Ticket to Bruce Springsteen concert		Mark B made a donation of £55 to Sports Relief as the ticket was free
Mark Thompson	January 2007		Lunch, The Old Bailey		
Mark Thompson	January 2007		Lunch guest speaker		
Mark Thompson	January 2007	Fast Track Agency	Cirque du Soleil, preceded by dinner		
Mark Thompson	March 2007		Management Consultancies VIP lunch (guest speaker)		
Mark Thompson	April 2007	DCMS	Dinner hosted by DCMS		
Mark Thompson	April 2007	Daily Telegraph	Business lunch, Daily Telegraph		
Mark Thompson	May 2007	Reuters	Chelsea Flower Show		
Mark Thompson	July 2007	Admiral Sir Jonathon Band	Dinner, invited by Admiral Sir Jonathon Band		
Mark Thompson	August 2007	Sunday Times	Business lunch, Sunday Times		
Mark Thompson	August 2007		Business lunch		
Mark Thompson	September 2007	Raymond Blanc	Mark was offered and accepted a one day cooking lesson at Le Manoir aux Quatre Saisons by Raymond Blanc. Prior to acceptance the Head of the Director General's Office discussed acceptance of the gift with the General Counsel. The General Counsel agreed that there did not seem to be a problem with accepting. The issue of whether Mark had been involved in commissioned "The Restaurant" was discussed and it was pointed out that Mark had not had any involvement in this.		
Mark Thompson	September 2007	Sunday Telegraph	Sunday Telegraph Arts lunch		
Mark Thompson	September 2007	C4	C4 Advisory Board dinner (guest speaker)		
Mark Thompson	December 2007		Mark and his wife Jane invited to a Christmas Carols Concert at Le Manoir as guests of Raymond Blanc. The cost of the ticket was £170.00 each but as they were guests, they did not pay this.		
Steve Kelly	February 2007	Accenture HR	Invited to Scotland v England rugby match with Accenture HR services followed by dinner		
Steve Kelly	June 2007	IBM HRBPO practice	Wimbledon, invited by IBM HRBPO practice		
Steve Kelly	July 2007	Capita CEO	Henley Festival, invited by Capita CEO, invite for Steve and his wife		
Steve Kelly	July 2007	Cedar International	Toy Box Ball, invited by CEO Cedar International, invite for Steve and his wife		
Steve Kelly	December 2007	Capita	Steve and wife invited to an NSPCC dinner by Capita		
Zarin Patel	September 2007	KPMG	Elton John concert by KPMG auditors		
Zarin Patel	September 2007	KPMG actuarial practice	Dinner invited by KPMG actuarial practice		
Zarin Patel	September 2007	KPMG	Prince Concert invited by KPMG auditors		
Zarin Patel	October 2007	Capita	Fashion Rocks invited by Capita		
Ashley Highfield	May 2007	Sony	Invited by Sony to view Spiderman 3 in 4KHD		
Ashley Highfield	June 2007	IBM	Invited by IBM to attend the IBM Technology Forum		
Ashley Highfield	July 2007	Lord and Lady Birt	Invited by Lord and Lady Birt to dinner with a selection of senior industry colleagues at The House of Lords		
Ashley Highfield	October 2007	Deloitte	Invited by Deloitte to the BAFTA screening of "Earth"		
Ashley Highfield	October 2007	APAX Partners	Invited by APAX Partners dinner to give informal chat about FM&T		
Ashley Highfield	October 2007	Google	Invited to attend the Google Zeltgeist event		
Tim Davie	January 2007		Buiness in The Community		
Tim Davie	January 2007	ITV	ITV Leaving Party		
Tim Davie	February 2007	Ofcom	Ofcom reception		
Tim Davie	February 2007	Fallon Advertising Agency	Fallon Advertising Agency Away Days		
Tim Davie	February 2007	AMV BBDO	Lunch with AMV BBDO		
Tim Davie	February 2007	Zygos Partnership	Lunch with Zygos Partnership		
Tim Davie	March 2007	AMV BBDO	Dinner with AMV BBDO		

<i>Name of recipient</i>	<i>Date received</i>	<i>Source of Hospitality/Gift</i>	<i>Description of hospitality</i>	<i>Estimated value</i>	<i>Other/Comment</i>
Tim Davie	March 2007	Fallon Advertising Agency	Breakfast with Fallon Advertising Agency		
Tim Davie	June 2007	Freud Communications	Freud Communications Lunch		
Tim Davie	June 2007	BT	30 Club Dinner with BT		
Tim Davie	June 2007	Marketing Society	Marketing Society Awards Reception		
Tim Davie	June 2007	Cambridge University	Cambridge University Event		
Tim Davie	June 2007		Bird & Co "No Point" dinner		
Tim Davie	July 2007	Tiger Aspect Productions	Lunch with Tiger Aspect Productions		
Tim Davie	July 2007		Grace Blue Breakfast		
Tim Davie	September 2007	BT	BT concert at Twickenham		
Tim Davie	September 2007	Landmark Hotel	Breakfast at Landmark Hotel		
Tim Davie	September 2007		The Importance of Corporate Culture Breakfast		
Tim Davie	October 2007		Hammersmith & Fulham Council Drinks		
Tim Davie	October 2007		Horses Mouth Ltd Lunch		