



House of Commons

Committee of Public Accounts

BBC critical projects

Eighth Report of Session 2016–17



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*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 29 June 2016*

The Committee of Public Accounts

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Committee reports are published on the [Committee's website](#) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Dr Stephen McGinness (Clerk), Dr Mark Ewbank (Second Clerk), George James (Senior Committee Assistant), Sue Alexander and Ruby Radley (Committee Assistants), and Tim Bowden (Media Officer).

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Contents

Summary	3
Introduction	4
Conclusions and recommendations	5
1 Strengthening project management capacity	8
Progress on project management	8
The BBC's culture	9
2 Delivering improvements	10
How the critical projects portfolio collectively supports the BBC's strategic objectives	10
Clarity about improvements expected from individual projects	10
3 Ensuring effective accountability	12
Clarity of accountability for critical projects	12
Accountability arrangements and the Charter renewal	12
Formal Minutes	13
Witnesses	14
List of Reports from the Committee during the current session	15

Summary

The BBC has strengthened its oversight of and reporting on critical projects since it cancelled its Digital Media Initiative project in 2013 at a cost to licence fee payers of nearly £100 million. By and large, the BBC is subjecting its critical projects to more effective scrutiny, underpinned by more frequent and timely reporting to the Executive and the BBC Trust. There is, however, more work for the BBC to do: to be clear at an early stage about what projects will contribute to improved services for viewers and listeners; to encourage openness and transparency when problems arise; and to ensure there is no scope for confusion over who is accountable for delivering each project.

Introduction

The BBC has several hundred projects and other activities that aim to help it respond to a fast-changing environment and achieve its strategic objectives. The BBC has grouped what it considers to be its most strategically important, complex and high-risk projects into a portfolio of 'critical projects', for enhanced attention by its Executive Board. The list of critical projects changes over time as new projects start and existing ones are completed. The March 2015 list containing eight critical projects funded from the licence fee was the focus of this inquiry. The estimated cost of the seven projects on the list where contracts had been let was some £885 million.

Conclusions and recommendations

1. **The BBC has learnt from past mistakes, most notably the failure of the Digital Media Initiative project, and has strengthened its oversight of project performance, though there is still more to do.** The failure of the Digital Media Initiative in 2013 at a cost of £98.4 million exposed a range of issues around project oversight at the BBC, including weaknesses in accountability, internal assurance and progress reporting. We welcome the fact that the BBC has subsequently introduced positive changes. Projects have tended to be better scoped and monitored, and the BBC has increased the capability of its central project management office. Future projects will focus more on substantial change management and transformation which may present greater challenges in terms of acquiring and retaining the specialist skills needed to deliver them.

Recommendation: *The BBC should build on the progress it has made on strengthening its project management oversight and ensure that the changes are embedded into new governance structures when they come into effect. The proposed new unitary board will need to follow these improvements through as the BBC takes on more high-risk and challenging projects, and those that require specialist capability.*

2. **There is evidence of a greater willingness among project teams to report problems more quickly, but the BBC's wider ambition for a more open and honest culture in the organisation remains a work in progress.** The BBC accepts that a lack of openness has in the past had a detrimental impact on reporting on project performance. But more recently there are examples of problems in projects being reported to management more quickly. For example, issues on the Smart project which posed a significant risk to success were raised with senior executives in a timely manner, enabling the Executive Board to take corrective action to prevent the project from failing. In response to the report by Dame Janet Smith into the BBC's culture and practices during the Jimmy Savile and Stuart Hall years, the BBC is undertaking a wide-ranging review of its organisational culture and behaviours. The BBC expects to report the results of this review by September 2016, and that a major focus will be on the ability of its staff to 'speak truth to power', with behaviours expected from managers to support greater openness and honesty.

Recommendation: *The BBC should promote a culture of openness so that staff can speak honestly about project performance and progress, to mitigate any risk that problems are hidden or unreported. It should seek regular feedback from staff on the extent to which they feel able to raise concerns.*

3. **We are not convinced that the BBC has a sufficiently robust process for choosing which projects should be included in its critical projects portfolio and for judging how well the projects, as a portfolio, are delivering against the BBC's overall strategic objectives.** It is not clear the extent to which the BBC's choice of what to include in the critical project portfolio takes account of the BBC's overall strategic objectives. For example, the BBC's objective of transforming its offer for younger audiences was only specifically covered by one (MyBBC) of the eight listed critical projects in March 2015. While the BBC's decisions to include projects in the portfolio are based on their strategic importance, it does not formally review how the projects

collectively fit its strategic objectives. It has now committed to undertake such a review twice a year. The BBC also acknowledged that the interdependencies between the projects could be critical, and that the portfolio should not be treated as a list of discrete projects. For example, the National Audit Office found that five of the eight listed projects had been delayed, and the BBC accepted that decisions to extend timetables needed to take account of the BBC's position in a highly competitive media sector.

Recommendation: *The BBC board should ensure that it has a robust process for deciding which projects warrant inclusion on the critical project list, that its selection takes full account of the importance of the individual projects for delivering the BBC's strategic objectives and that when it reviews the performance of individual projects, for example when slippage occurs, it considers the potential impact on the BBC's ability to deliver its overall objectives.*

4. **The BBC is not always sufficiently clear, early enough, about what it expects its individual projects to deliver in terms of improvements for viewers and listeners.** The MyBBC project aims to enable users to personalise the BBC content they see, and for the BBC to learn from users in order to provide services that reflect their needs. The project is central to the BBC's strategy, but the benefits plan for the project was not signed off until April 2016, one year before the project is due to be completed, despite warnings that this needed to be done from the BBC's own project management office as far back as October 2014.

Recommendation: *The BBC should define clearly the benefits it intends to achieve for audiences and licence fee payers for all of its projects at an early stage.*

5. **There remains a risk of confusion about who is accountable for the delivery of critical projects and what they are accountable for.** A lack of clarity over responsibilities and accountability for the Digital Media Initiative was a key feature of its failure. The BBC has improved its processes in terms of assigning a single point of accountability for each of its critical projects. However, it has not always been consistent and precise in specifying who is accountable for each project, and in one case—End-to-End Digital—the scope of that accountability. The BBC has now committed to issuing a precise specification of the role and responsibility of the single point of accountability for each critical project.

Recommendation: *The BBC should be consistent and precise in taking forward its commitment to issue a clear specification to the single points of accountability for all of its critical projects.*

6. **The skills of non-executive members of the new board proposed for the BBC will be key in securing value for money for the licence fee payer.** The recent White Paper on the future of the BBC announced the Government's intention to replace the BBC's current governance arrangements with a single unitary board. We agree with the BBC that the skills of members of the Board will be critical in ensuring that it can perform all aspects of its role effectively including providing the right balance of support and challenge in ensuring the interests of licence fee payers are uppermost in mind and that the BBC provides value for money.

Recommendation: *In considering proposals for the new unitary board, the Department for Culture, Media and Sport and the BBC should ensure that the number and the mix of skills and availability of non-executives are appropriate to fulfil their commitments, including seeking to ensure the BBC delivers value for money for licence fee payers.*

1 Strengthening project management capacity

Progress on project management

1. On the basis of a report by the Comptroller and Auditor General (C&AG), we took evidence from the BBC, and the BBC Trust (the Trust), on the management of the BBC's critical projects.¹ The BBC has several hundred projects and other activities that aim to help it respond in a fast-changing environment and achieve its strategic objectives. The BBC has grouped what it considers to be its most strategically important, complex and high-risk projects into a portfolio of 'critical projects', for enhanced attention by its Executive Board. The list of critical projects changes over time as new projects start and existing ones are completed. The March 2015 list containing eight critical projects funded from the licence fee was the focus of this inquiry. The estimated cost of the seven projects on the list where contracts had been let was some £885 million.²

2. This C&AG's report follows on from work undertaken by the previous committee in 2014 on the BBC's Digital Media Initiative (DMI) project which had been cancelled by the BBC in May 2013 at a cost to licence fee payers of £98.4 million.³ The previous committee found that DMI had suffered from significant weaknesses in oversight which included a lack of clear accountability, a lack of clarity over what the BBC intended to deliver, no clear timetable for completion, and infrequent reporting on progress to the Executive Board and Trust.⁴

3. The BBC has made improvements to the management of its critical projects since the failure of DMI. The BBC told us that reporting on projects was more frequent.⁵ The Executive Board discussed reports on the progress of critical projects on a monthly basis, and the BBC Trust did so on a quarterly basis.⁶ This was a significant improvement compared to the situation in 2014, when problems on DMI had been known but not shared with senior executives for months, preventing corrective action from being taken in a timely fashion.⁷

4. The BBC has also instituted more formalised project management arrangements. It confirmed that it had strengthened its Project Management Office and put protocols in place to improve oversight of its critical projects. The BBC told us that it had increased its skills base for project management⁸ and introduced clear protocols for assurance and approvals planning, which ensured that all critical projects were subject to internal and external scrutiny at regular intervals.⁹

1 C&AG's report to the BBC Trust Value for Money Committee, [Management of the BBC's critical projects](#), 29 April 2016

2 [C&AG's report](#), paras 1.7–1.9

3 Committee of Public Accounts, Fifty-second Report of Session 2013–2014, [BBC Digital Media Initiative](#), HC 985

4 Committee of Public Accounts, Fifty-second Report of Session 2013–2014, [BBC Digital Media Initiative](#), HC 985

5 [Qq13](#), [35](#), [36](#)

6 [Qq13](#), [35](#), [36](#)

7 Committee of Public Accounts, Fifty-second Report of Session 2013–2014, [BBC Digital Media Initiative](#), HC 985

8 [Q38](#)

9 [Q38](#)

5. The BBC told us that since the National Audit Office reviewed the portfolio, three projects had been completed and been removed from the portfolio and four new projects had been added.¹⁰ The refreshed portfolio has a greater focus on organisational change, rather than IT and procurement.¹¹ The BBC recognised that having the right people in place to undertake this work would pose a challenge.¹² We questioned the BBC about whether they had the necessary skills in place to deliver Aurora, one of its critical projects, designed to move the BBC from a single supplier IT strategy to a multi supplier model.¹³ The BBC told us that it had a range and depth of expertise across its teams, but that it had to continue to work hard to attract and retain the right people.¹⁴

The BBC's culture

6. At the heart of the BBC's failure to deliver DMI was a culture which inhibited individuals from raising concerns with the Executive Board. The BBC acknowledged that staff had known that the DMI project was failing but had not brought this to the Executive Board's attention.¹⁵ The National Audit Office found that the BBC had made progress on increasing transparency of reporting on its critical projects.¹⁶ The BBC noted that one project (Smart) had encountered problems which posed a significant risk to success. These risks had been raised with senior executives in a timely manner, which had enabled the Executive Board to take corrective action to prevent the project from failing.¹⁷

7. While this was evidence of an improvement, the BBC acknowledged that it still had work to do to create a culture of openness and honesty throughout the organisation. In February 2016, Dame Janet Smith published a report into the BBC's culture and practices during the Jimmy Savile and Stuart Hall years. In her opening remarks to the report, Dame Janet stated that:

“there was a culture of not complaining or of raising concerns. BBC staff felt—and were sometimes told—that it was not in their best interests to pursue a complaint...there was a reluctance to rock the boat”.¹⁸

The BBC told us that it wanted to be clearer about the behaviours expected of staff in all grades, so that it could develop a culture where staff could “speak truth to those in power”.¹⁹ The BBC told us that it was undertaking a programme of work to address all of Dame Janet Smith's recommendations. The BBC expected to report on the steps it has taken to ensure that what happened in the Savile era cannot happen again by July 2016, and on the wider managerial issues in September 2016.²⁰ The BBC also told us that it had already introduced a more rigorous mechanism for whistleblowing, and a communication programme around the importance of individuals speaking to their line manager about concerns.²¹

10 [Q17](#)

11 [Q39](#)

12 [Q39](#)

13 [Qq 40–44](#)

14 [Q42](#)

15 [Q35](#)

16 [C&AG's report](#), paragraphs 2.8–2.11

17 [Q34](#)

18 Dame Janet Smith, [Opening statement of The Dame Janet Smith Review](#), February 2016

19 [Q64](#)

20 [Q64](#)

21 [Q65](#)

2 Delivering improvements

How the critical projects portfolio collectively supports the BBC's strategic objectives

8. The BBC's overarching strategic objectives are to make distinctive world-class content; to demonstrate value for money in every area of its work; to develop a more personal BBC; and to transform its offer for younger audiences. It also intends to continue to realise opportunities through technological innovation, and operate so that it can spend a larger proportion of its resources on its programmes.²²

9. We questioned the BBC's process for deciding which projects were included in the portfolio and whether this provides a sufficient focus on how the portfolio as a whole contributes to the BBC's strategic objectives.²³ The BBC told us that the portfolio was an iterative list which included those projects that were the most important and represented the greatest risks.²⁴ However, the National Audit Office found that the BBC's strategic objective to transform its offer for younger audiences was only specifically covered by one of the eight projects on the list (MyBBC) in March 2015.²⁵

10. The decision about which projects to include on the portfolio is taken by the Managing Director of Finance and Operations, in discussion with internal audit and the Director General. The BBC accepted that this process did not involve formal review by the Executive Board^{26 27} and told us that it intended, from now on, to discuss the composition of the portfolio as part of the annual business planning cycle, and when strategic risks are considered twice a year.²⁸

11. Five of the BBC's eight critical projects had been delayed compared to their initial forecast.²⁹ The BBC told us that in most cases delays had occurred while the BBC was defining a project's scope, and that the delays had not incurred additional costs. However the BBC recognised that delays could disadvantage the BBC in terms of realising benefits later.³⁰ We noted that the BBC should ensure that it considers its competitive position when monitoring project progress, paying particular attention to interdependencies between projects and the impact of delays on the overall strategic vision.³¹

Clarity about improvements expected from individual projects

12. The BBC told us that the MyBBC project was central to its strategy. It would benefit audiences through greater personalisation of services, highlight the breadth of the BBC offer, and enable producers to learn from audiences and respond to their needs.³² However, despite its own project management office warning of the need to do so in October 2014,

22 [Q12](#)

23 [Qq14–16, 72](#)

24 [Q14](#)

25 [Q72](#)

26 [Q14](#)

27 [Q13](#)

28 [Qq 13, 14](#)

29 [C&AG's report](#), figure eight

30 [Q35](#)

31 [Q40](#)

32 [Q12](#)

the BBC admitted that it had not assessed or quantified the expected benefits of MyBBC until April 2016, more than two years into the three-year project.³³ The BBC accepted that the benefits should have been defined earlier.³⁴

13. While data collection is central to MyBBC, so that the BBC can analyse and respond to user preferences,³⁵ only very limited data on users was being collected and a significant amount of time was required to clean the data that was available. The BBC told us that it had an aspiration to collect information such as date of birth or postcode, so that it could begin to tailor its offering to respond to different groups (such as younger audiences), but at present they were only collecting the names of users.³⁶ The BBC still needed to decide whether it would make sign-in a mandatory requirement for users of all, or some, BBC services, which would influence the completeness of the data they would be able to collect.³⁷

14. We questioned the BBC on how it ensures that the critical projects in its portfolio support its commitment to serve a diverse range of audiences. The BBC told us that they were proud of the strong partnership with S4C—the Welsh broadcaster—and that they were pleased about the decision to co-locate with S4C in the new Wales Broadcasting House.³⁸

33 [C&AG's report](#), figure nine

34 [Q70](#)

35 [Q12](#)

36 [Q75](#)

37 [Q74](#)

38 [Q45](#)

3 Ensuring effective accountability

Clarity of accountability for critical projects

15. The previous Committee concluded that no single individual had been responsible or accountable overall for delivering the DMI project and achieving the benefits, or taken ownership of problems when they arose. It was therefore of concern to note that it was not clear who was accountable for what on two of the BBC's eight critical projects (MyBBC and End-to-End Digital). While the BBC and the Trust maintained that responsibilities had been clear to those working on these projects,³⁹ it is important that accountability is clearly articulated for all so that the person in charge of a project can be held accountable for success or failure and ensure that it is clear throughout the project who, ultimately, makes the decisions that contribute to the project's outcome.

16. The BBC accepted that it had not described senior responsibilities consistently.⁴⁰ The BBC had used terms including business sponsor, executive sponsor, project sponsor, and programme sponsor to describe senior roles.⁴¹ This meant it was difficult for the National Audit Office to disentangle senior responsibility from the paperwork on projects. The BBC accepted that the paperwork had been unhelpful on this point and accepted that the scope of the End to End project had not been documented as clearly as it could have been so that the scope of responsibility had been unclear.⁴² The BBC told us that it would introduce a new requirement for project sponsors to have their role clearly defined in a formal letter.⁴³

Accountability arrangements and the Charter renewal

17. The Government announced in its White Paper on the BBC that it intends to replace the BBC Trust and BBC Executive Board with a single unitary board. The Trust and the Executive Board play an essential role in project oversight at the BBC, providing challenge, making decisions at key points in projects' lifecycles, and intervening to seek to prevent project risks leading to failure or significant waste. The BBC told us that it welcomed the introduction of a unitary board, and supported clarity of accountability.⁴⁴

18. The BBC stressed the importance of having non executive members of the new unitary board who would be able to provide oversight from an independent perspective. The BBC envisaged that non executive members would have a dual role of ensuring that decision making was good and proper, and providing help and advice when needed, in addition to general board business. This would entail a significant time commitment. However the BBC and the Trust noted that there was a fine line to be drawn between the high level of commitment required, and maintaining enough distance to retain independence.

19. We also asked the BBC about the skills required for future non executive members of the unitary board as the balance of skills required will be critical in ensuring that it can perform all aspects of its role effectively.⁴⁵ The BBC told us that it would work with government to define the mix of skills required to run an organisation like the BBC, so that those skills could be recruited to the new unitary board.

39 [Q48](#)

40 [Q52](#)

41 [Q54](#)

42 [Q54](#)

43 [Q38](#)

44 [Q28](#)

45 [Qq28-34](#)

Formal Minutes

Wednesday 29 June 2016

Members present:

Meg Hillier, in the Chair

Deidre Brock

David Mowat

Chris Evans

Steven Phillips

Mr Stewart Jackson

Karin Smyth

Nigel Mills

Mrs Anne-Marie Trevelyan

Draft Report (*BBC critical projects*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 19 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

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

Ordered, That the Chair 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 till Monday 4 July 2016 at 1.30pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 25 May 2016

Question number

Lord Hall, Director-General, BBC, **Anne Bulford**, Managing Director, Finance and Operations, BBC, and **Nicholas Prettejohn**, Trustee and Chair, BBC Trust Value for Money Committee

[Q1-92](#)

List of Reports from the Committee during the current session

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2016–17

First Report	Efficiency in the criminal justice system	HC 72
Second Report	Personal budgets in social care	HC 74
Third Report	Training new teachers	HC 73
Fourth Report	Entitlement to free early education and childcare	HC 224
Fifth Report	Capital investment in science projects	HC 126
Sixth Report	Cities and local growth	HC 296
Seventh Report	Confiscations orders: progress review	HC 124

Public Accounts Committee

Oral evidence: Management of the BBC's critical projects HC 75

Wednesday 25 May 2016

Ordered by the House of Commons to be published on 25 May 2016

Watch the meeting: <http://www.parliamentlive.tv/Event/Index/279da0a8-88c1-4a6f-8d3c-a61f1f9f2f3e>

Meg Hillier (Chair), Mr Richard Bacon, Deidre Brock, Chris Evans, Kevin Foster, Caroline Flint, Nigel Mills, Karin Smyth

Sir Amyas Morse, Comptroller and Auditor General, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Peter Gray, Director of Business, Innovation and Skills Value for Money Work, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: Lord Hall, Director-General, BBC, Anne Bulford, Managing Director, Finance and Operations, BBC, and Nicholas Prettejohn, Trustee and Chair, BBC Trust Value for Money Committee, gave evidence.

Q1 Chair: Good afternoon. I normally say, “Welcome to the House of Commons,” but thank you for having us at the BBC today, Lord Hall. I welcome you, and our audience here and elsewhere, to the Public Accounts Committee on this Wednesday afternoon, the 25 May. On our main panel today to look at the BBC’s critical projects, which the NAO has looked into as a value for money exercise, are Anne Bulford, the managing director for finance and operations at the BBC; Lord Hall, the director-general of the BBC; and Nicholas Prettejohn, a trustee and chair of the BBC Trust Value for Money Committee. I welcome you all. For anybody who is interested, we have a hashtag—#BBCprojects—in case anyone is following us on Twitter today.

Thank you for appearing before us today, Lord Hall. Before we get into the thrust of the Report, I thought that it would be pertinent and timely to touch on the White Paper and some of the issues there. First, do you agree that your spending at the BBC should be scrutinised?

Lord Hall: Yes, I do. I think it is important. Given that, from the White Paper, we now have certainty about the BBC’s existence for the next 11 years and the licence fee as the prime form of funding—indeed, the form of funding—for the next 11 years, it is absolutely right that we are open to scrutiny on all the things that we are doing with that money.

Q2 Chair: We have seen a number of press reports suggesting that the Government will be auditing you. I want to be clear about your perception of how future audit arrangements will work for the BBC.

Lord Hall: We think that the current system works extremely effectively, with us having Ernst & Young as our auditors but also having the NAO coming in and doing value for money reports. They lead to Reports like today's, which we then act upon, and that is a very good way of operating. However, as the White Paper makes clear, in the conversations and negotiations that we are having with Government, they want the NAO to be our auditors. We have got two issues around that. One is, and I think the White Paper makes this clear—

Q3 Chair: Before you go on, can we just be clear? We know what the NAO does. Are you clear? Do you think that Government are auditing you because Government recommended this? Can you be clear about who you think is going to be auditing you, when the NAO takes this on?

Lord Hall: We believe that it is the NAO who is auditing us and acting as an auditor would: making sure that we are spending money properly and looking at giving us advice, for example. That is what we are assuming; however, in the White Paper there is some room for discussion about quite what that means. I know that members of our audit committee want to be very clear about what that means.

There are two areas where we do need more clarification and more work. One is around the editorial carve-out, as it has become known. There is broad agreement from all of us and, I think, also within the NAO—although I can't speak for the NAO—that we need to make sure, beyond all doubt, that the editorial and creative independence of the BBC is maintained. I think that the White Paper, rightly, has a chapter on the BBC's distinctiveness, which is defined as taking risks, pushing boundaries and doing things that—to put it bluntly—we hope will work but may not creatively work. That is really important. Likewise, I don't need to tell any of you about the importance of the editorial independence of the BBC. How we work out how that is clear in the work that the NAO does with us is really important.

That is one block, and the second block is around our commercial subsidiary and Worldwide. Again, the Secretary of State said that he understood our arguments about that and wanted to take it forward in discussions—as the White Paper makes clear—with him and his colleagues before the charter and agreement are published.

Q4 Chair: I just want to be absolutely clear. When you talk about editorial independence and the carve-out for that, which would be normal for any audit arrangements—auditors would not be revealing that sort of information because it would be against their code—are you absolutely clear that the National Audit Office is a body of Parliament and not of Government?

Lord Hall: Completely clear—it is a body of Parliament.

Q5 Chair: I think it is worth making it clear, on behalf of the Committee, that we are not the parliamentary arm of the DCMS. Our connection with the Secretary of State is that we scrutinise his

Department as much as we scrutinise you. I want to be absolutely clear that you are clear about that.

Lord Hall: Thank you, I am very clear about that.

Chair: Okay, it was not quite clear from your answers.

Q6 Mr Bacon: May I add to that, Lord Hall? You quite rightly say that the National Audit Office should not have any say in editorial or creative judgments; just as it is statutorily prohibited from questioning the merits of Government policy, it should not question creative and editorial judgments. The White Paper is quite explicit about that, and says that as well as not questioning Government policy, “the NAO also does not question the merits of the BBC’s editorial or creative judgements, for which the BBC has, and will retain, an exemption in the Charter.” So it is quite clear. I think you are just questioning whether the detail of what is explicitly set out is clear enough. It looks quite clear to me. What is it that you want that is not in there?

Lord Hall: I think the words in the White Paper are absolutely fine. What I am worried about, Mr Bacon, are the details of how it applies when you come to an audit. When that is worked through, I want to ensure that we are consistent—between ourselves and the NAO—about what editorial judgment, editorial independence and creative independence mean. From reading the White Paper and talking to people about this, nobody wants the BBC to feel in some way inhibited in the editorial judgments it takes or the partners it might work with in terms of editorial judgments. Nor do they want it to be creatively inhibited because people are worried, or to think, “Well if I take this risk on a drama or whatever, some great spotlight will be put on me.” There is a lot of clarity in the White Paper about what we are expected to be—editorially independent and creatively pushing boundaries—but I want to ensure that when it comes down to the fine print, we all know what we are dealing with.

Q7 Mr Bacon: You said that you understand clearly that the NAO is not a body of Government and that Sir Amyas Morse is an officer of the House of Commons. It says that in the White Paper. The Chair referred to some unhelpful press comment that the BBC didn’t really want the Government auditing it. Do you think that it is sufficiently widely understood in the BBC that the NAO is nothing to do with the Government and is funded by Parliament quite separately?

Lord Hall: You can never say something enough. To that extent, I take the point that we need to make it clear that the NAO is run by Parliament, not by the Government. Just to be clear—we are being asked, rightly, to be editorially independent and, rightly, to take strong, creative judgments that will sometimes work and sometimes will not work. That is the nature of creativity. We just want to ensure that that is not inhibited in any way. I just think that the more we all understand what we expect of each other, the better.

Q8 Chair: We have worked with the NAO for a long time. Just to be clear, it is not run by Parliament. It is an independent body that is funded by Parliament. The Comptroller and Auditor General has a very clear statutory position to be independent and not to be prey to undue political pressure. Let us be clear: an audit is an audit. It is not actually massively different to what Ernest & Young does, but it is done by our NAO, rather than by a private auditor. There is still a code that they

have to adhere to. We hear what you are saying but we just want to be absolutely clear about this. Could you keep getting out the message that it is not a Government audit and that the Committee is not part of Government either?

Lord Hall: I understand and will be happy to do so.

Q9 Chair: Thank you very much. I just want to move on to one point before I move on to the main paper again. I have a particular interest in the E20 project so, with the Committee's indulgence, I wanted to ask about it because I represent the borough that includes the original Albert Square, which is Fassett Square in E8 for those of you who may not know. We are obviously very interested in the longstanding pledge to rebuild the set at Elstree. My borough and my constituency have gone through a lot of change in the past 10 years. Are you able to inform me, my constituents and any "EastEnders" fans out there whether Albert Square will be changed to reflect those changes or whether you are going to have a like-for-like model?

Lord Hall: You clearly have a detailed knowledge of this. Just so the Committee is aware, much of the set is more than 30 years old. It was built to last two years. Anne Bulford and I make quite a number of visits there because it is such an important part of the BBC's schedule and what we do on BBC 1. There are some areas that really do need renovating and we think it is time to reinvest. It also gives the producers a chance to think about how they can get more space to do more storylines than they currently can. I will leave it up to them to say how they will be doing that in the future. Forgive me for not giving away the storylines.

Q10 Chair: Okay, I just wondered how many organic bread shops there will be and whether there will be any coffee shops. In fact, matcha tea is the latest thing in certain areas now.

Mr Bacon: Or draught olive oil. That's what we want—draught olive oil.

Lord Hall: The invention of the EastEnders team is brilliant. As you have probably seen, they have opened up an area high above the pub so you can now look down on Albert Square, which gives different storylines. The fact that they went live last year was utterly stunning. Expect more from them, but forgive me if I do not give away too much of what is going on.

Chair: I think we will all be watching with interest. I would just make the point—as I would, I suppose, as a constituency MP—that my borough may be achingly cool these days, but it is also achingly poor. I hope that the producers are watching and listening to our concerns locally.

Q11 Chris Evans: I just want to put one question. I am loth to say it, Lord Hall, but "Coronation Street" does show Manchester—the Salford Quays and elsewhere—so you feel it is in the city of Manchester, but you do not get that with "EastEnders". Could you give a guarantee that with this move, we will see more of London and the programme will have more of a London feel to it?

Lord Hall: The team and the showrunner, who has actually just left—that was absolutely part of his commitment. Dominic did a first-rate job, both in terms of the storylines for "EastEnders" and in terms of what "EastEnders" sought to reflect. That is taken very seriously by the team. They

are a wonderful group of people, and I am sure that the person who has been doing “The Archers” and is now going there will do a great job too.

Q12 Chair: We will leave “EastEnders” and E20 for the time being. I want to come now to the main Report in front of us, which is the National Audit Office’s value for money assessment of critical projects run by the BBC. I was on the Committee, as was Mr Bacon, when we looked at the digital media initiative a few years ago, and I think it is fair to say that there has been considerable improvement at the BBC since then in your management of your critical projects, which we are glad to see. Going back to your position as director-general, you have set out a very clear vision, with three strands, about how you want the BBC to be in the future. I wonder how you make decisions about which critical projects you look at and how they fit in with that broad vision for the BBC—whether you are looking at it across the piece or you are taking them as individual projects.

Lord Hall: Thank you for recognising—the NAO Report also recognises it—the work that has been done since the cancellation of the DMI project, which is something I did within a few months of coming back to the BBC. The learnings from that, which were then repeated by work done by the PAC, and also what we have been doing internally have really tightened up the way we run projects, including critical projects.

The critical projects list is something that we spend a lot of time thinking about, as we do the risks for the BBC overall, and we want to peg these very clearly into the strategy overall. I will give you some examples. First, I want to spend more money on what goes on the screen and what goes on the radio than on overheads or the way in which we get there. If you look at the critical projects that the Report talks about—W12, which Anne has been in charge of, End-to-End and Smart—all of those are contributing towards getting more money on to the screen and the radio.

Secondly, I made a speech about the future of the BBC last September and talked about us riding two horses—being a provider of services on radio and on television through channels, but also thinking about an internet future for the BBC. I know that you have seen a presentation this morning on MyBBC. The criticality of MyBBC, which comes to an end in the spring of next year—we have had a lot of work to do, but there are three areas there: firstly, personalisation from the services that we offer, which is really important; secondly, making people aware of the breadth of the BBC’s offer in terms of programmes and services; and thirdly, as the presentation I hope made clear to you, how we as producers can learn from how our audiences are using us. So there are two blocks there: critical projects are both critical as projects and critical to the strategy for the BBC.

Q13 Chair: Okay. We are going to come on to some of those things, particularly MyBBC, a little later. I just want a bit of clarity—Anne Bulford may want to come in on this as well—about how you decide between you what qualifies as a critical project, because you could make different judgments on that, and what the drivers are behind putting something into the critical projects portfolio.

Lord Hall: Perhaps Anne could come in, but I will say a number of things. First, these are strategically vital for the BBC. Secondly, they are of a scale and complexity—especially complexity—that means that we need to focus on them even more crucially than we do on other projects. I think the Report is really interesting. At the moment, Anne and I talk a lot about what should be on the critical projects list, and we have added some as they have come to an end. Anne talks with the PMO—the project management office—and also with the chair of the audit committee, Simon

Burke, about what should be on that list. The point made by the Report is a good one. We now talk about the report on critical projects monthly at the board. That is a change from pre-DMI days and the reports come much quicker. The notion that this should be part of a broader conversation around our strategic direction is good. A lot of that happens already, but the Report is useful in pushing us a bit further on that.

Q14 Chair: Anne, can you shed a bit of light on how you make those decisions?

Anne Bulford: Yes. Through the annual strategic planning process, we are allocating money against strategic priorities. Some of that money is allocated into major change programmes, major IT implementations and major procurements that are coming up in the normal cycle of work. What we do through that process is take the list of critical projects and treat it as an iterative list. We are seeking to identify those which are most important to us and most risky, especially those that have key interdependencies across the BBC as a whole. They may have high cost and they may have multi-faceted deliveries and interdependencies with each other.

There is a balance to be struck. We agreed with the executive board that we wanted to have a list that enabled sufficient focus—in very simple terms, not too many on the list—but at the same time gave the board the opportunity for line of sight of those things that it was most important to keep a firm grip on. Coming into the project management office from a number of different sources, we have individuals from the budgeting process and from key approval stages—if you like, candidates for thinking about that top list of no more than 20, ideally 10, of the sorts of projects that we are going to look at—and we evaluate that criteria and look at changes to the list. I discuss that with the director-general and the chair of the executive audit committee. We take that to the board, note the changes that we are making or not making, and the board has an opportunity to comment on it.

There is another key facet, which is what other reporting control governance mechanics are working around those projects. Something that is strategically very important, but perhaps has a key dependency around regulatory approval—BBC3 was a good example of that—and was getting quite a lot of tension in the director-general's office at the board or through other reporting processes, was trumped by another project, in terms of putting it on the list, that had less automatic board time coming up through automatic approvals processes. It is quite an iterative process. I think the NAO make a good suggestion that we should look at that more formally. Our proposal is to do that as part of the annual business planning cycle and our risk planning. So we also have a list of strategic risks that we update and look at monthly, but consider formally twice a year.

Q15 Chair: Can I ask how much you involve people on the creative side in those decisions? You have described a very business and finance-orientated decision process. Do you involve other people outside of that?

Anne Bulford: The executive board has colleagues on it from across all areas of the BBC. Colleagues responsible for television, radio and news are part of that group. The key community that is used to help with this are the business-orientated people working in the creative divisions and the link there. For example, on E20, which we spoke about earlier, we are working very closely with television and the production team on the set there and thinking about how to monitor that programme and bring that through. If we had other similar projects we would consider those in that group.

Q16 Chair: Do they prioritise what is critical for them? Critical in terms of the cost is a big issue for you. We mentioned E20. It is nearly 10 years after it was first discussed that it is likely to happen.

Anne Bulford: Sure. I understand that. There are two slightly different things. There is critical in terms of allocation of resources and what we need to do and how we prioritise the list of things that need to be addressed. It isn't simply about saving money or efficiency; it is also about realising creative vision, of course. Then there is the separate thing, which is which projects are most risky or most difficult to deliver. We put those on the critical projects list, so that the board has as clear a line of sight as possible as to what is going well, what is not going so well, where there is a requirement to do something different or where there are opportunities to seize.

Q17 Chair: The NAO froze its Report at April 2015 in order to have clarity of vision on this. As I understand it, three projects have dropped off the list since then. Can you tell us whether anything has been added to the list of critical projects and what they are?

Anne Bulford: Since the NAO made that cut, Smart, End-to-End and W12 have come off the list, having been completed. Five projects are ongoing: g, Aurora, which is the technology re-procurement, NCS, Wales Broadcasting House and E20. Four projects have been added: BBC Studios implementation; the combination of our technology teams across the whole of the BBC; a project to look at implementation of the update to legislation for licence fee collection and the outcomes from the Perry review; and HR transformation, which is both a systems project—a major change in process across the whole of the BBC—and incorporates the relocation of HR to Birmingham.

Q18 Chair: Enough to keep you and us busy for a while. My final point, before I ask Deidre Brock to come in, is that, looking at the Report, a lot of the projects have running costs written in over quite a long period of time. I particularly noticed the one on the newsroom computing system—that's in part 1, page 15, figure 3. In footnote 2, it says that the newsroom computing system project has 12-year operating costs built into it. As I understand it, there are four years of setting it up and then eight years of actual running costs once it is in place. Can I ask if there are systems in the newsrooms now that are as old as eight or 12 years?

Lord Hall: I brought in the system and it is 20 years old, so it is a miracle that it is still going as well as it is.

Q19 Chair: Twenty years on may be a miracle but it seems to me that, in the modern world, eight or 12 years is quite a long time for a project to run.

Lord Hall: It is a long time, yes.

Q20 Chair: Is that a question of you being over-optimistic in programming in those running costs, as though there will be no further technological change along the way?

Anne Bulford: What we have in the programme is the run costs, which will involve an element of maintenance and upgrade and refresh as it goes on through. This is a long programme. It is a major investment. The previous system has run, is running today and is running soundly. What happens is that the number of workarounds build up over time.

The contractual arrangements and investment for the NCS programme take it out over that sort of period. One of the things we will have to monitor very carefully is how we keep it up to date and fresh and running.

Q21 Chair: Okay, so it is something that you will be keeping a very close eye on.

Anne Bulford: Absolutely.

Q22 Deidre Brock: I would like to ask a few questions about the delays to some of the projects—I think five of the eight projects mentioned in the Report experienced delays at one point. First, however, you mentioned the board. I know in the White Paper there is a suggestion that the trust and the current executive board are replaced by a single unitary board. Lord Hall, I know you have some issues with that. You have some concerns about the appointment proposals for that board and you emphasised that it is vital for the BBC's independence to be preserved, and the result of that. The White Paper suggests to me that a significant proportion of that board would be non-executive directors. I wondered if that was one of your concerns and if you could elaborate on what other concerns you have.

Lord Hall: Yes, I am really happy to. Let me say that I welcome a unitary board; I have long thought that this was the right solution for the BBC and for a BBC where accountability is clear. We have had a very good working relationship with the BBC Trust, but I think a unitary board is the right way forward.

My concerns are twofold. One is how a board can work effectively and the skills that you need around the table to make that board work effectively. The executive board at the moment has a mix of non-execs and skilled people from outside. The dialogue and the conversation you have—the challenge you have—are very proper and very real. It feels like you are both trying to do the right thing by the BBC. I prefer to start from the assumption of what skills you need to run an organisation such as the BBC, and what is the mix of those skills. I would like to spend the time between now and the charter trying to work that through. That is one point.

The second point is around appointments. I suspect we can find a route through that but it goes back to BBC independence. We kind of know that the independence of the BBC is valued enormously in this country and abroad by our viewers and listeners, and how we demonstrate, without peradventure, that the BBC board is independent. Things are going to be discussed at the unitary board that should be discussed there. Those are not just matters, as some of the things we have just been questioning, about how to spend the money, but also what we are trying to do editorially and creatively. Therefore the independence of those board members and how they are chosen matters a lot.

Q23 Deidre Brock: I noticed that the paper acknowledges that for non-executive directors a significant time requirement will have to be given. Do you feel that they will have sufficient time?

Will they have sufficient time to be able to take on the running of an enormous organisation such as the BBC?

Lord Hall: That is a really good point. Again, that is something that I want to be able to discuss with the Secretary of State and others. In my experience, both in the BBC and other organisations, non-executives do two things. They are there to ensure decision making is proper, good and thorough at board meetings. They are also there to come in when advice is needed or other work is needed away from the main body of the work going on in the board.

When I see BBC non-execs working like that I think they are providing a really valuable function. People who are very busy may be the sort of people you need to have on a board like this. I want to think that through, because our current non-execs are very busy people but they are there when you need to have them. There is a danger that we make the burden on them so great that you do not get their skills. I hope that makes sense.

Q24 Chair: Perhaps we could ask Mr Prettejohn. Would you serve with more time requirement? Is that something that would impact on you?

Nicholas Prettejohn: The time required, for example, to be a member of the BBC Trust is significant. I would expect that any member of the unitary board, as I would of any major organisation in the public or private sector, is making a big commitment. That is not something to be undertaken lightly. The board will have to commit in terms of time but I also think that the executive will have to ensure that it works in a way that the board members are able to do their job by having the right information and access to the organisation to be able to form their independent, supportive and challenging judgments.

Q25 Deidre Brock: In terms of the numbers currently on the board, how many executives versus non-executives are there?

Lord Hall: On the executive board?

Q26 Deidre Brock: Yes, because I know you have some non-execs.

Lord Hall: I think there are six non-execs and eight executives. You could change that around a bit but that balance of executive and non-executive—I will just do my sums again because I don't want to mislead you. I will come back to you.

Q27 Deidre Brock: Admittedly my maths might be a bit rudimentary, but from looking at the White Paper it looked as if there was potential for 10 non-execs versus a maximum of four executives. That is obviously quite a noticeable difference.

Lord Hall: It is. That's why I hope that between the White Paper and the charter being published we can sit down and talk about these things and get to the right balance, which is to hold the organisation to account, ensure we get the right people with the right skills and who are going to steer the organisation forward for the next 10 years. That is so important.

Q28 Caroline Flint: I am interested in the role of the non-execs. Mr Prettejohn, you are on a number of other boards as a non-executive, aren't you? What sort of time commitment do you think you should be giving to the BBC?

Nicholas Prettejohn: That I should be giving?

Q29 Caroline Flint: That you are giving now with all the non-exec jobs you have.

Nicholas Prettejohn: Roughly speaking, I probably spend a day and a half a week on BBC affairs.

Q30 Caroline Flint: Do you think that should be more to meet the new challenges? One criticism has been that there is not enough challenge on the trust.

Nicholas Prettejohn: I think there is a fine line to be drawn between time commitment on one hand and independence on the other. I wouldn't give you a precise amount of time, but there is a point at which a non-executive who spends a great deal of time with one organisation ceases to have the independence that that person should have in judging what they are being presented with by the executive. I am not evading the answer, but it is quite a difficult question.

Q31 Caroline Flint: Could it also be that over the course of a year non-execs on different boards want to recoup a certain amount of money and that is why they have a number of non-exec jobs? Should the money paid to non-exec members of the board be upped so they don't have to go and sit on other boards elsewhere?

Nicholas Prettejohn: There are two aspects to the answer. On one hand, you want to pay people properly for the amount of time they spend, but on the other hand, you want to set the fee at such a level that it is not just the people who make a great deal of money from their other roles who can afford to spend the time with an organisation such as the BBC. It would be a real shame if the only people who felt able to spend time on the governance of the BBC were people who got paid enough elsewhere.

Amyas Morse: I am really just reaching back to my corporate experience. I know that Committee members know this, but it is worth reminding them that different non-executives take on specialist functions, so you have a non-executive chairing your audit committee, you have a remuneration committee chair and things like that where people give variable amounts of time. I guess that, within that, having a reasonable population of non-execs means that nobody is put under massive pressure. They shouldn't be overpaid for what they do—that is true—or underpaid, but there is an argument for having a reasonable team of non-execs who are capable of discharging these functions without straining themselves or some individuals doing too much.

That is the sort of thinking people typically have. There is also some desire to have a reasonable balance. I have seen on many boards a desire to have a reasonable balance between the executive and non-executive arms. That is the sort of thing people think about mainly in corporate governance terms that I have seen.

Q32 Chair: The issue that is up for grabs with the Chancellor is the balance on the board, and that is something that will be further discussed.

Lord Hall: That's right.

Q33 Mr Bacon: I just want to clarify your understanding of what is likely to be the process for the appointment of non-execs. The White Paper is very clear that it is important that the BBC board is able to ensure it has the right mix of skills and that the process of appointments and the make-up of the board are compatible with the fundamental principle of the BBC's independence. What would be the right process for that? Should the Commissioner for Public Appointments be in charge with public advertisements managed by them? How do you see that working so that it is independent?

Lord Hall: That is the proposal that I can see could work extremely well. That is one point. The second point is that I think the role of the chair in constructing the board with the right skills is really important too and that is something I would also like to have more time—actually, of course, it will be Rona Fairhead. There will be more time now to discuss it with the Secretary of State.

I go back to the point about the skills we have and the make-up of people on the board. It is really interesting, the number of non-execs versus executives. That must all be thought about from the point of view of what will make a proper board that will hold us to account, but also steer us forward. I think it is more subtle than where we have got to at the moment in the White Paper.

Q34 Deidre Brock: Moving away from that and getting back to the critical projects under discussion, figure 8 on page 26 shows that five of the eight projects experienced delays and, in the case of two of them, the End-to-End Digital project and the MyBBC project, reporting changes were not as frequent—I think that is the correct word—as they might have been. So there is a fairly common theme in that Report of over-optimism on timescales. I just wondered—this is to Ms Bulford and Lord Hall—why those delays seem to be fairly commonplace on these projects.

Lord Hall: Can I start off and then Anne Bulford can come in? The Report makes it clear that there are often delays in the early stages of the projects before they become clear projects, and I think that is a proper remark on it. None the less, if you look at the delays, in one case there was indeed a delay—Smart. There was an increased cost, but the benefits we got back from that went up. In many other cases, the delays have been while we worked through what we are trying to achieve, can we get more benefits out of this and can we hold the cost either to the same, or go lower? So if you look at Aurora, there were delays but there were more benefits. We talked about the newsroom computer system—a four-month delay—but actually the benefits have doubled in that time.

I think what is great about the critical projects and the way we are managing them is that these decisions are being pulled out and dealt with and managed, and that is what we are kind of doing. Anne, do you want to add anything?

Anne Bulford: These are the most difficult projects and I think that, as everyone around the table will understand, in managing complex projects there are a number of levers that you can use

to achieve success: scope is one; time is one; and money is one. When issues arise, or indeed when opportunities arise, time is one of the levers that we are able to use.

In the case of Project Aurora—the technology re-procurement—we identified an opportunity to extend the previous contract, to reduce the risk of implementation moving our technology procurement from a single supplier to a tower model, which is increasingly common across major organisations and indeed across Government, to move to that at a much lower risk, by having a longer glide path period into the new arrangement, and at the same time to realise what at the time we expected to be just short of £90 million-worth of benefits early, and in fact has turned out—based on the numbers we are closing for the current year—ahead of that estimate.

So that was a delay. That delay was an opportunity, which we captured in a revised business plan, took through the board and indeed took to the trust, because of the volumes and values involved, and took a positive decision to rephrase the project to achieve those benefits.

With the other examples, there are different stories behind them. On Wales BH, the developer-contractor we were working with took the decision to have a more detailed procurement process at the design stage, which again reduced the risk profile and improved the benefits but delayed the project.

On E20, in the period after the project was approved, at the point at which detailed designs had been put together, it became clear that, as a result, mostly, of the very significant inflation in construction in the south-east and in London in particular, the project was going to find it difficult to manage within contingency, and that was raised up through the escalation process that we spoke about earlier. We agreed at the board that we would pause the project while that was reworked, but in reworking the timetable to try to bring forward some of the benefits earlier—so Albert Square comes up earlier.

With all of the projects, the reasons for the delay are different, and there is only one where there was an increase in cost as a result of delay, which was Smart, and that was partly covered through renegotiation of contract with suppliers and partly offset through additional benefits coming through.

Q35 Deidre Brock: I appreciate that there are reasons for the delays and you have explained some of those reasons there, but are you concerned that this disadvantages the BBC? It is a very fast-moving media landscape and do those sorts of slippages ultimately potentially disadvantage the BBC against its competitors?

Anne Bulford: Slippage could be a disadvantage in terms of realising benefits later, or getting editorial benefits later, but if you find that there are opportunities to do better with the project you are dealing with, you need to take them. Delivering the wrong thing at the right time, or carrying unnecessary risk, or missing opportunities to get better value-for-money out as a whole would be a mistake. We are trying to encourage early, frank, honest reporting of both forecast boulders in the road and opportunity. That was what was so encouraging about the Aurora discussions that we had at all levels of the BBC. It is intelligent for a team to say, “Actually, on the timetable we’re working to, we can do better if we go longer to everybody.” Very often, of course, the delay is improving the delivery and the competitive advantage. That is certainly true of the new system, NCS. The product that came out of that longer design phase is much more fit for purpose than if we hadn’t taken that time.

Lord Hall: Can I add one point that might be helpful? Anne mentioned in passing the culture of people being able to say, “This isn’t working. We have to discuss it.” Having come fresh into the organisation, one thing that struck me most about DMI was that people said, “We all kind of knew it was going wrong but we didn’t say.” By the way, it’s the same when it comes to post-Savile and all those kind of things: if people feel something is going wrong, they can say so and they will not be penalised. It is really important to have an honest discussion, culturally, about how to ameliorate something. It is a big change that we are trying to bring about.

Q36 Deidre Brock: Mr Prettejohn, you receive monthly updates on the performance of the critical projects. When delays have been experienced, what have you done to get them up and running?

Nicholas Prettejohn: The Trust receives a quarterly report on projects as part of the quarterly performance pack. However, in addition to that we have regular—usually monthly—meetings with Anne. We also have periodic meetings with the chair of the executive audit committee and with the head of internal audit and risk. Between that quarterly reporting mechanism and the other more informal, less structured interactions, we have a very good line of sight, from the Trust’s point of view, into what is happening in those projects. We don’t have to wait for each quarter to ask questions about delays or issues because normally we will have picked them up in the intervening period. They form part of the discussion we have about challenging the executive as to whether the delay is justified.

Q37 Deidre Brock: How do you feel the executive has responded when challenged?

Nicholas Prettejohn: I think they respond very openly and thoroughly. We have a really good dialogue. We get very early warnings when problems are arising and a thorough description of the issues and the options. For example, when Project Smart was experiencing some difficulties we had almost monthly discussions about the origin of the challenges and how the executive was proposing to deal with them. We felt like we knew what was going on and that we were able to assess the quality of the thinking and decision making.

Q38 Deidre Brock: Lastly, Ms Bulford, on the back of this and previous Reports of the NAO, along with your own experience, do you feel that you have sufficient confidence in your insight into the projects that are on the board now and that are coming up for the future, so that you will be providing a really adequate challenge on the budget forecasts for those projects?

Anne Bulford: We now have in place a strengthened PMO, which has both additional skills, particularly around change management, and a clear reporting line through to me and to the Director General and the executive audit committee as needed. That is very helpful because you know you’re getting that independent challenge coming through. I think the assurance plans, which all the major projects have, are really helpful, because you get that independent perspective, and not just at time points or money points, but at gate points on the progress of projects, so you get a sense of the deliveries coming through. That is helpful.

We are going to introduce a formal letter, a sort of terms of reference, for sponsors as a result of this review and thinking about what more we could do, to set down—

Q39 Chair: To be clear, because people watching might not appreciate, sponsors like the senior responsible owner—

Anne Bulford: Yes, the single point of accountability to have a letter absolutely banging down the scope of responsibilities, which will be a helpful addition.

We are at quite an interesting time, because in the sorts of projects that are coming through in the next phase there is more of a bias towards major change projects, away from procurement and IT implementation, so we will have to think harder about the way in which we bring combinations of skills from across the BBC to those projects. The basic mechanics are in there, but we can always, of course, do better.

Q40 Chair: I am going to bring in the Comptroller and Auditor General in a moment, then Chris Evans, but I want to pick up on a couple of points you raised, Ms Bulford. You were talking very much about the individual projects—the plans they go through—but in a “wood for the trees” scenario, picking up on Ms Brock’s points, technological change out there can move at a different pace. Sometimes it makes sense for one project to delay it in-house, but where is your safeguard to make sure that in doing that you are not missing the boat, that there is still a relevance to it and, perhaps, that you are not being overtaken by some outside body, which might be able to make it cheaper or make some of the work you are doing effectively obsolete?

Anne Bulford: The outputs required from each of the projects are very clear, and what we are seeking to do all the time is to fast-forward what happens if the circumstances change—do we still need this, or how do we deal with this? So, for example, on the property project, the technology project, in Wales on Wales Broadcasting House, when we approved the project, we set later gates on agreeing the technology put-out, so the most up-to-date information on the way in which content can be delivered over IP within or beyond the building can be brought to bear on that final specification, rather than taking that decision two years before you have to. We are looking at that kind of thing all the time.

The other thing, of course, is that we have huge expertise and depth across all of our teams, and plenty of open opportunity for people to challenge and make different suggestions. We are going through annual business planning cycles all the time, as part of the corporate finance effort, constantly reprioritising and revisiting resource allocations, and deciding what to do.

You are right; it is a risk, and it is a risk that we have to consider all the time. The board consider it, we think about it and we do our best at all times not to take decisions earlier than we need to, if we can wait for the most up-to-date information.

Q41 Chair: We are going to talk more about individual projects later on, but on Aurora, you are looking at this multi-supplier model for IT services—something we look at across parts of Government as well. Do you think you have got enough IT specialists in the BBC to manage what will therefore be a slightly more complex programme? It is not one big contract, but you will be managing lots more contracts, keeping an eye on them as they go through.

Anne Bulford: It is a challenge in this space to attract and retain skills. It is a very competitive market. I think we have a tremendous team at the BBC working on this project, and the progress to date is extremely impressive.

Q42 Chair: I don't doubt that the team you have got is impressive. Do you think you have enough people? When you say it is a challenging arena to recruit in, are you able to recruit? Are you able to pay enough? I do not think you have any restrictions on what you can pay people, do you, because obviously you are not part of government?

Anne Bulford: We operate a number of protocols on what we pay people, as you would expect. It is not straightforward. We see talent inflation in a number of areas—television production is one, technology is another—and we have to work very hard to attract and retain the right people. It is not easy. We are doing well, and we are very pleased to see strong recruitment of technology skills into Salford, which is helping with that. We do not concentrate our technology effort in the south-east; we seek to tap into skills all around the country, and that helps.

Q43 Chair: Are you saying that it is actually better for you being in Salford? You have a bigger pool of people to choose from, but perhaps you are not competing with the same—

Anne Bulford: We are very pleased with the way in which we have been able to attract—

Q44 Chair: You're being very careful, Ms Bulford. You get a Sir Humphrey medal for your careful words. Just to press you, do you think you have got enough people to manage the complexity of a project like Aurora and others that may come through?

Anne Bulford: We have enough people at present. It is an ongoing future challenge, as it is for everyone.

Chair: Thank you. I will just bring in the Comptroller and Auditor General very briefly, and then Chris Evans.

Sir Amyas Morse: Looking over the range of projects, although there is nothing at all wrong with recognising that you are in difficulty, I think it is statistically significant how many of them end up taking longer than you originally planned. It is worth thinking about that, and it is particularly worth thinking about, as you rightly say, when you move forward into looking at transformational change projects, which are notoriously much more difficult to plan, because there is a lot more of the behavioural element in them, and they will fall over from time to time. That is highly predictable.

I ask you to give some consideration to this. My question is: are you prudent enough at the outset about what a realistic expectation is? Certainly, moving forward, are you going to be a bit more prudent when moving into transformational change projects, as you have rightly identified?

Anne Bulford: Of course, you always seek to learn lessons from previous projects. One can build in time contingency, but at the same time, we want to deliver things and achieve things, and we set ambitious targets. I think what we are trying to work within is a framework which gives the flexibility to alter as we go through or go back. The reason these projects are on the list is that challenges will arise with them. We deliver lots of projects to time and to budget day in and day out,

without delay. The most difficult ones are on this list, but I take entirely what you say. Of course we always seek to learn the lessons of the past and apply them to the future.

Lord Hall: I would just add to that the point that comes out in the Report. We spend a lot of time at the exec board talking about projects, what we are delivering and how we are delivering them. I think the point made by this Report is: spend even more time and make sure you've got the right critical projects, because we are about reforming how the organisation works, which often means cultural change. My point would be to spend more time on this.

Chair: I will come back to the cultural change point.

Q45 Chris Evans: Lord Hall, I want to get a bit niche on the White Paper. The Government White Paper on the BBC charter describes a strong, successful and accountable partnership between the BBC and S4C. As you know, in 2015, S4C's grant from the Government in the autumn statement was cut from £6.7 million to £5 million a year by 2020. Although this was cancelled for 2016-17, it is due to go ahead in 2017. Are you worried about the future of S4C as an independent arm of the BBC?

Lord Hall: Well, it is independent of the BBC. I value them; in fact, I saw them very briefly last week as they were going to the Trust. I think our partnership with S4C is a very good one, and I would like to see it get stronger. Specifically, I am very glad that in our proposal for the new building in Cardiff, S4C will locate some of their operation there. I think that's really good for us. The second thing that I would like to see, to be blunt, is more shows like "Hinterland" coming out of S4C and ourselves: drama and other programming that serves a Welsh-speaking audience but can also serve a larger audience of English speakers. I love those sorts of partnerships.

Q46 Chris Evans: What I am specifically trying to tease out is this. If you look at the example of BBC Alba—my colleague from the Scottish National party will know more about it than I do—they seem to be more successful in getting over their culture. Welsh is spoken far more widely than Gaelic. I was just wondering how you see S4C being able to sell its programmes abroad as "Wallander", "The Killing" and other such programmes have been?

Lord Hall: I go back to what has happened with Scandi dramas, which the BBC led on bringing here. We now accept subtitles as a way of getting access to dramas and other sorts of programming that is not in English. That, and what has happened with "Hinterland"—quite apart from showing off the beauty of mid-Wales, and Aberystwyth in particular—says to me that there is something there that we, the BBC and S4C, should be developing for the future as two independent organisations working together, and I hope we can do more like that.

Q47 Chris Evans: My major concern is that, growing up in Wales, we did not have access to Channel 4. We only had S4C, and it would be a mix of English-speaking and Welsh-speaking programmes. Now, with the digital age, S4C shows only Welsh-speaking programmes, and there has been evidence to show that they have had no viewers for a number of programmes. I am deeply concerned about the risk that we no longer have a Welsh-speaking channel. I look at BBC Alba, and they mix things up between the language and English-speaking programmes. Do you envisage any vision for S4C following the same pattern as BBC Alba?

Lord Hall: Our partnership with Alba is terrific and works very well, and thank you for saying that. S4C is independent of the BBC, and it is for them to decide the mix of programming that they want and how they want to do it. The BBC is a supplier to S4C. If you look across the piece at what S4C is providing in terms of Welsh language programming and at what Radio Cymru is providing, and we have now started working online in Welsh, which is really interesting, we are doing a lot for the Welsh language. The thing that I have raised when I have been speaking in Wales has been a commitment to more English language programming for Wales about Wales, which I hope we can do something about, and announce something, in the not-too-distant future.

Q48 Chris Evans: Diolch, Lord Hall. I would now like to move on to the actual accountability and chief planning benefits of the critical projects. Paragraph 2.15 of the Report says that there was a concern following the Digital Media Initiative project that projects “did not have a senior responsible owner”. My question is to Lord Hall and Mr Prettejohn. What are the BBC and the BBC Trust doing to address concerns raised in the Report about the lack of clearly defined accountability between senior people?

Lord Hall: I think we have learned from the DMI, and from the NAO Report on DMI, to ensure that there are single points of accountability and that each project has somebody who is absolutely clearly in charge. Although this Report points to some documentation that is not clear or maybe not right, in all the critical projects we have absolutely had single points of accountability. That has changed in one case, which you will almost certainly have read about, when James Purnell was removed from one project, MyBBC, because he had to concentrate on the small matter of the White Paper and the negotiations with the Government et al. As I think the Report makes clear, you are looking for someone who is sponsoring one of these projects to spend maybe 10% to 20% of their time concentrating on it, which simply was not possible, so Helen Boaden, an extremely good and capable executive, took it over.

Nicholas Prettejohn: From the Trust’s point of view, we had no question as to who we thought was responsible either for End-to-End or for MyBBC. At all times we understood extremely clearly who was responsible: in the case of End-to-End, Anne; and in the case of MyBBC, James and then Helen. From our point of view, there was never any ambiguity about it.

Q49 Chair: Can we be absolutely clear? On page 9, paragraph 10 on MyBBC is very clear: “the evidence suggests that the executive sponsor had chaired the MyBBC steering group meetings. However, in the investment case the BBC named the ‘business sponsor’ as the single point of accountability, whereas the accompanying summary document named the ‘executive sponsor’ as the single point of accountability.” Were they both the same person? Were they both James Purnell or Helen Boaden at whichever stage it was?

Lord Hall: Just to be absolutely clear, the sponsor—the key person—was either James Purnell or, later on when he went on to wholly White Paper work, Helen Boaden.

Q50 Chair: They were the executive sponsor.

Lord Hall: That’s right.

Q51 Chair: So who was the business sponsor? Was there a business sponsor?

Lord Hall: The executive sponsor here is the key person, and that was James Purnell, followed by Helen Boaden.

Q52 Chair: So who was the business sponsor for this project?

Anne Bulford: Business sponsor was the title that was wrongly attributed to Phil Fearnley, who was running the project on a day-to-day basis. The single point of accountability sat with James, and that was clear. We entirely take the point that the documentation and the lexicon being used were unhelpful.

Q53 Chair: We are obviously looking at this after the event, but it's important we are all clear.

Anne Bulford: I understand, and for End-to-End there was a similar point. End-to-End was in two parts: there was a business sponsor title for procurement, and another person was responsible for the digital delivery on to video bit. But the single point of accountability for both was me.

Q54 Caroline Flint: I just want to check something. As well as “business sponsor” and “executive sponsor”, the terms “project sponsor” and “programme sponsor” have been used. Can you explain this to me? Are we down to one executive sponsor, and if there are other tasks, will we give them a very distinct name so that there is no confusion in the future?

Anne Bulford: Yes. The work that the NAO has undertaken obviously covers a period of time. In that period of time, we have got tighter and better at this. In terms of the titles that have been used and the way in which those have been documented, I understand that coming at the paperwork can be confusing. We take that point on board. We recognise it. We accept the recommendation. We have dealt with that and continue to deal with it. On the ground, it was absolutely clear, from the Trust, through the executive board, and down through the projects, who was responsible.

Peter Gray: I would just like to make the point that in relation to End-to-End Digital, we were quite clear about the executive responsibility, the executive sponsor, throughout that project. The issue we were raising was the clarity of the scope of that responsibility as the project evolved; that was the point we were making. That is a slightly separate thing, which we felt was less clear.

Anne Bulford: Again, I understand that the scope of the project and particularly delivery of the benefits on procurement—the re-procurement element for play-out—was not documented as clearly as the NAO would have liked. Again, responsibility for the delivery of that is very clear; that sits with me. Play-out as a function is managed as part of Television, but the reporting line through all that material comes through to me.

Q55 Chris Evans: It all seems unnecessarily complicated. Again, I want to go to paragraph 2.17 on page 29 of the Report. It says: “The guidance required that all critical projects have a single

point of accountability, and in most cases it was clear from our review of project documentation who the project's single point of accountability was. However, in two cases, this was less clear from the project documentation." And the Report then talks about MyBBC and End-to-End Digital. You must have had major concerns, having had your fingers burnt by the digital media initiative, that things were going to go wrong again. Why have you found yourself in this situation in relation to IT? Does the BBC have a problem with IT projects and their lines of command?

Lord Hall: May I just add to what Anne Bulford was saying? There was never any doubt on the ground about who was in charge of these projects—no doubt at all. I think the lesson from this is a slight "W1A" lesson, which is that we need to get our documentation absolutely clear, and clear up the way in which we use terms, but I can assure you, Mr Evans, there was never any doubt about who was in charge of either of these projects.

Q56 Chris Evans: So it was just an administrative problem, rather than anything more sinister?

Anne Bulford: It's a use of language through the paperwork that I think was unhelpful, and in the case of the End-to-End scope, a fuller description in the paperwork would have been helpful.

Q57 Mr Bacon: When you talk about a "W1A" problem, are you basically saying there was too much sitting around in rooms with soft furnishings and beanbags and not enough writing or what? Can you just be clear?

Lord Hall: I should not have raised "W1A", Mr Bacon. No, just in terms of being clear—being absolutely clear with names and what we mean by various titles. That is what I take from this: we have got to be clear.

Q58 Mr Bacon: There is a serious point. This is common: in the Bowman radio communications system in the Ministry of Defence, there was no senior responsible owner for many months; in the InterCity West Coast franchising competition many years later, there was no senior responsible owner. It is a common problem, but it is not rocket science to have it publicly known who is in charge, as well as being internally known, is it?

Lord Hall: No, it's not, and I take the point from the examples you give. What I want to stress is that on the ground I knew and everybody knew who was the single point of accountability for these projects. We have got to get some of the documentation here right, but we knew exactly who was in charge.

Q59 Chris Evans: As the End-to-End project is picking apart a lot of the digital media initiative, it has now been taken, as you know, for the shared objective of the End-to-End Digital project and its component parts have been split across the BBC. Could you give a guarantee that if it does not deliver the benefits, one person is going to be held accountable for that? Or will several people be held accountable?

Anne Bulford: I am accountable for the delivery of the benefits. There are two parts to the End-to-End project. One is the successful delivery of the re-procurement of play-out. Ericsson succeeded in retaining that business through procurement; that procurement contract has been signed and we are now in the process of moving through into that arrangement. That will deliver a number of tens of millions of pounds, as the paper sets out.

The other part of the project was to move from tape-based delivery through to video. The first phase of that implementation was successfully delivered in October 2015, which met our public requirements; the second phase is going well, and will be delivered in the autumn. We are already well ahead; thousands of hours are being delivered over digital rather than in the form of tape. The operational benefits of that are already being seen in our archive operation in Perivale, and we are seeing the benefits coming through in our play-out contract.

Q60 Chris Evans: Responsibility for the digital media initiative—sorry to keep banging on about it—was split across the BBC. What lessons have been learned from that, and how will you apply them in the future?

Anne Bulford: The digital media initiative was not the same as the End-to-End project. It encompassed looking at production methodology and use of file-based activity to make programmes. When we came to End-to-End, we set that aside, because—to go back to some of the earlier questions—in time that had been spent on DMI, it had been delayed in the business, so people had adopted different, more readily available software to meet those requirements. End-to-End did not encompass that part of DMI; it was very much about file-based delivery—running around the BBC and getting the programmes from the producer into switching, out to the Post Office Tower and on to DTT or Freesat, or however people are consuming it.

I think the main lessons picked up were the ones that we have spoken about: having clarity on a single point of accountability, which we had in this case; having deliverables around the project that could be seen; having key milestones; having clarity about who is responsible for what; and ensuring that what the project is doing and what the business is doing are clear.

Q61 Chris Evans: To wind up my section, then: are you confident, Lord Hall, that you now have the right people accountable for these projects?

Lord Hall: Yes, I believe so, and I am working very hard on the right culture so that, where there are issues, we can honestly and openly discuss them, and that those are fed through as high up into the organisation as possible.

Peter Gray: I just wanted to clarify one bit on End-to-End. As we understood it, once the procurement activities in April 2015 were completed, responsibilities for the component projects transferred to different teams across the organisation. I think there was a transfer of responsibilities at that point, so the benefits, apart from the procurement savings, will only be delivered when the component parts are delivered their elements, and those elements are the responsibility of other managers across the organisation.

Q62 Chair: I understood from what Ms Bulford said that you were still taking responsibility for that. Perhaps you could clarify.

Anne Bulford: Yes, I do, because although the responsibility for the flow of work running through in television is the responsibility of Television, that flows through to the chief operating officer role, which has responsibility into me in relation to this, so that monitoring goes through.

Q63 Chair: So you still have the wide view of all those elements and if something goes wrong, the buck stops with you.

Anne Bulford: Yes; thank you.

Q64 Chair: It is always easier for us, taxpayers and licence fee payers, to know who is absolutely in charge.

Lord Hall, you touched again on the issue of culture, and earlier you mentioned cultural change, particularly the Savile inquiry. The Committee has done quite a lot of work on whistleblowing so it is something we're very interested in. Do you think there was a culture of fear in the BBC before—that people didn't raise issues around Savile and DMI? What was the thing that stopped people from raising things, and how are you measuring it? You talk about it being better now, but how can you be sure that that is the case?

Lord Hall: Anne Bulford is taking charge of work to ensure that we can answer all the points raised in the Dame Janet Smith review. Dame Janet Smith asked us to do a number of very specific things. She asked us to check all our policies to ensure that what happened in the Savile era cannot happen again. We are doing that. She said we should do it over six months; I want to be able to report back on that by July.

More broadly, Dame Janet said that we should spend some time reflecting on the culture of the organisation so that people feel they can speak truth to those in power—their management and so on. Again, we are working on that, and we hope to report back on it by September. That is much tougher, though. We are looking at ways in which we can be clearer about behaviours we expect from managers—what we expect out of managers, but also out of the teams they are working with.

Q65 Chair: Can you, or perhaps Anne Bulford, point to anything that has been different in the time you have been Director General, where people have raised real concerns about something that is quite difficult and had the feeling that they could do that and it has made a difference?

Anne Bulford: I think people do raise issues. We have much more rigorous mechanics in place around whistleblowing helplines. We have introduced a communication programme about the importance of speaking to your team manager, and of raising issues and raising them early. People raise all sorts of points and concerns with members of my team and with me. They bring through opportunities. They raise everything from systems that are not working properly through to working relationships with which they are uncomfortable, and we try to deal with them.

It is very difficult to monitor a negative—if people aren't raising things it is hard to find them. We have specific questions in the staff survey about the confidence to speak up. We were

pleased to see some improvement in that, although it is not where we would like it to be. As part of the work we are doing post the publication of Dame Janet's report, we are undertaking a wide programme of interviews, run independently with groups of staff or individual members of staff, to speak to them about how they feel about raising things.

Q66 Chair: So you would say it is work in progress at this stage.

Anne Bulford: It is always work in progress because this is management and leadership and what we need to do. The other thing we are doing is spending time with other large organisations to share experience and seek to learn from best practice elsewhere.

Q67 Chair: You mention a number of things, but if I were a member of BBC staff with a concern—it could be a harassment concern or some system not working—how would you expect me to raise it? You talked about a whistleblowing hotline; if it was something sensitive, what is the actual mechanism?

Anne Bulford: We would hope you would feel confident about raising issues with your line manager, your HR director or a member of the leadership team you work with. If you wanted to raise an issue confidentially, there is a hotline—a special number—to ring in relation to bullying and harassment. There is then a process that flows through that is treated confidentially. That could ultimately result in an independent review of the issue that you raised—it doesn't go straight off to the person you are complaining about with uncertain protection. Our whistleblowing helpline is a publicised number that anyone can ring. Members of staff and contractors do not need to ring the right number. They will be redirected if the case is more appropriate somewhere else. The whistleblowing comes into our business risk and assurance team and all such cases are raised with Dame Fiona Reynolds, our independent non-exec, who has taken responsibility for whistleblowing.

Q68 Chair: One of the things we concluded in our recent Report on whistleblowing is that it is a failure, in a sense, if you need to have a whistleblowing hotline. However, we recognise that there need to be proper mechanisms under the law. When do you think you will get to a stage at which there is a culture change through the BBC, whereby people feel they are able to talk the truth to those in authority without fear of repercussion, but with a pat on the back that they have done the right thing in helping the BBC to be a learning organisation?

Lord Hall: It is really difficult to say when we will get to that point.

Q69 Chair: Is it years or decades?

Lord Hall: No. I hope it is a matter of years, and not too many years, when we can say that we no longer need that. But at the moment, we are monitoring cases very carefully. We are monitoring usage of hotlines and of Dame Fiona Reynolds's time. I hope that by the autumn, we will have some good thoughts about what we expect managers to do and how we expect behaviours around the corporation to be, that will be widely welcomed by people within the corporation. We are lucky enough to have, on our staff surveys, extraordinary scores for people feeling motivated about the BBC, but this is an area where we still have to do a lot of work.

Q70 Chair: Thank you very much. I just want to move on to MyBBC. As you mentioned earlier, Lord Hall, we were lucky enough to have a run-through from one of your team about how that works. Turn to page 9 of the Report. Paragraph 10 touches on MyBBC. The second bullet point says: “The BBC set targets for MyBBC in terms of numbers of registered users but did not create a plan to measure benefits until late in the project.” I understand that the plan to be clear about the absolute benefits was supposed to be out about now. First, why has there been such a delay in setting up the clear objectives for that project?

Lord Hall: I think we accept what the Report is saying; we should have been clearer earlier. On the other hand, there was very tight control over MyBBC. We were monitoring it very carefully for all the reasons that, having seen the presentation, you will understand. It goes right back to the question you asked at the beginning about the strategy of the BBC. This is so important.

The money that we released was gated against specific things to be achieved in each of the years. I think we found ourselves having to clean up the data. We thought we would get to a larger body of data about who was using it, more quickly than we did. It does not surprise me, in retrospect, because in other organisations I have been involved with, the same issue came up around data. We are clear now about the data we have and how we can build on that. That is one part of the MyBBC project.

The MyBBC project, which was an agile project—that is not our term because, as you know, it is used in all sorts of areas outside—was about how we could iterate, learn and develop things, and then learn from where things were working and push on. You have seen the results of that in some of the products that we have launched, such as the personalisation of news, the new sports app, Bitesize and so on.

Q71 Chair: One thing we were puzzling about as we were watching that presentation was how the BBC can be sure that it is going to keep pace with technical change. That is the point I made to Anne Bulford earlier. Of the projects in the list, this is probably the most competitive. Netflix, Sky and others are doing things and there are apps all over the place measuring this. How can you be sure that you will be adding value—not just to the BBC, but to the user—that the user will not be able to get easily somewhere else, so that they do not go shopping for it somewhere else? What are you doing to ensure that the users get some benefit from this expenditure of licence fee payers’ money?

Lord Hall: The good thing about this is that we can see exactly what benefits the users are getting from it. We can see where they are appreciating what is being done and where they are not. We have the data around how personalisation is being used in news and sport elsewhere. In terms of broadening the range of services, programmes or things that consumers are using, again we have that data.

It is interesting that signed-in users are consuming 40% more content than those who are not signed in. How we gradually sign more people in is another issue. I have seen myself how, in certain areas such as news, you can watch the data about what people are consuming. You can then begin to amend what you are offering them and, indeed, offer them more—for example on Greece and the difficulties around Greek debt and the euro. There are some very specific things there that I think are adding good things for our audiences.

Q72 Karin Smyth: I really enjoyed the presentation. I signed up as we were getting the presentation, so I am going to give very personal direct feedback over the next couple of weeks.

I wanted to draw attention to figure 11 around MyBBC and your objectives. In our very helpful tour earlier at BBC Sport and Radio 5 live, one of the questions we asked was about younger people, which is one of your strategic objectives, and the audience profile in terms of age. This is the only project that touches on that objective to transform services for younger people. Ms Bulford, could you perhaps expand on why that is? Is there a consideration of more critical projects to address that strategic objective?

Anne Bulford: This goes back to the discussion we had earlier. This is the only one of the major projects in terms of its delivery profile, strategic profile and risk profile that is sitting on the list of projects being monitored by the board through the critical projects list. It is by no means the only initiative being run across the BBC directed at particular demographics and, in particular, younger audiences.

My colleagues in output areas have a number of initiatives designed to reach out and attract, retain and delight younger audiences. We see that across all of our services, not just Radio 1, but in the way in which we are presenting and reaching out to BBC. MyBBC in itself, of course, will help because that is about being in touch with people, reaching out to them and then finding ways to personalise services towards those things they are most interested in, including some of the things you saw this morning. Tony, this is much more you than me.

Lord Hall: I could add two other things. Radio 1 is the biggest pop music channel on YouTube. It is interesting if you look now at Radio 1 and how they judge success. It is not just in terms of the RAJARs; it is also looking at their use in social media and elsewhere, where they are well used. That is one. We mentioned earlier BBC3 and whether that should have been in the critical projects list and we went through that argument.

BBC3 is really important. We know from our audience data that a younger demographic is actually using these things—iPads and all that—and it is much more on demand, when I want it, however I want it. The move to BBC3 was part financial but was really about giving that 16 to 34 audience more of what they want. We no longer have to fill a linear channel. We can now concentrate on the programming that actually delivers that audience, such as “Cuckoo” and programmes like that. That is also part of that top right-hand quadrant in our objectives.

Q73 Karin Smyth: I would like to come back briefly on that. I would not disagree, obviously, with 1 and 3 but in terms of 5, holding on to younger people’s appetite for news and for different types of sports—we had a bit of a disagreement in the Committee about how much football should or should not be on 5—in terms of the availability of different types of sports to younger people globally and the different ways that young people consume news, 5 is quite critical for you in order to hold on to those young people, is it not?

Lord Hall: Radio 5 is absolutely an important part of our overall services; so are the ideas that are coming out of news at the moment, which you might have read about, which is news stream. That is asking how we give a deeper and more meaningful service than the excellent service we are already providing on mobile phones and other tablets. That is all part of saying, “How do we

modernise the things that we hold dear about the BBC and take them to another generation and give them the good things that I hope others have enjoyed?”

Chair: That brings us to the issue around iPlayer. MyBBC is obviously an opportunity to gather data on users. Ms Smyth has just signed up to it, so you have a bit of information on her but you do not have information about whether she has paid her licence fee.

Karin Smyth: For the record, Chair, I have.

Q74 Chair: You wouldn't be let out of the building if you hadn't. What is the latest thinking on iPlayer? Your chair, Rona Fairhead, talked about a £100 million per annum gap that could be brought in. Are you looking at a mandatory sign-up? Are you going to try and entice people in through MyBBC and then see whether they have paid their licence fee?

Lord Hall: It's bit by bit. It's good that the Government have committed and are filling in the gap that was there: if you don't consume live, you don't pay the licence fee. That is to be welcomed. That is good and we will have a project to work that through, as Anne Bulford said earlier on.

The next stage of MyBBC—again, I hope it is clear from the papers—is how we move towards mandatory sign-in and whether that is appropriate in all cases. Are there things that we should be offering people free before they then come and sign in for other benefits? We are working that through. We know we have got to move with our audiences and not too far ahead of them. After that, there is another issue around licence fee and whether we connect that into what we are doing with MyBBC, but we are some way away from that. That is a very complicated issue, too.

Q75 Chair: My husband has paid—I hope he has—the TV licence. I would have no idea where to find a record of that, or a number, and nor would my children. Probably he wouldn't, either. So, practically, have you thought about how the TV licence will be issued? Is any of this thinking going on anywhere in the BBC to see if you can plug this loophole easily?

Lord Hall: At the moment, our thinking is all around how we extend the sign-in and get more people to sign in, and around signing in with what data. At the moment, as you know, it is name; eventually we would also like postcode and date of birth so we can begin to give them more of the things that we hope they would want.

Q76 Chair: So would you be able to do a cross-fertilisation just by address and name? That would be an early start to make sure you have licence fee payers, although it might not catch everybody,

Lord Hall: We are absorbing this part of the White Paper. At the moment, it really is too early to say.

Chair: Okay. I am sure that our sister Committee, the Culture, Media and Sport Committee, will be quizzing you on this.

Q77 Caroline Flint: I think it is right that on iPlayer there should be a way to catch people who are not paying their TV licence. That is a good thing. In terms of the wider online presence, you can go online and look up BBC News, and we have heard today about a whole number of different ways in which sport can be presented. As a BBC viewer and listener, I like the idea of listening to radio programmes and watching BBC programmes without adverts. But, to be honest, when it comes to an online format, isn't there a role for a stream of advertising revenue coming that way in future?

Lord Hall: I don't think so—in this country—but how we monetise the BBC and what it stands for outside this country, absolutely. That is why I think the importance of what we do with BBC Worldwide, on the web, and also with distribution and channels outside the UK is really important because that brings value back to the licence fee payer. The broad point you are making is that we have a good ecology in this country where we are funded by the licence fee. ITV and Channel 4 are doing public service things, but funded by advertising. Sky does it by subs. That kind of works and I don't think it is for us to get into the advertising market.

Also, you make a really interesting point: one of the things that people like about the BBC—I hope many other things, mind—is also the fact that we do not have ads, and I think that is important.

Q78 Caroline Flint: I think there is a difference between watching “War and Peace” with no adverts and looking at information online, where you might have a pop-up or something. I do not see that as qualitatively the same experience. Thinking down the road, the more you develop this digital online presence, my worry is how much that will cost against the creative content and the budgets for drama, soap operas and other content. I love “EastEnders” as well; I have an eclectic taste in these areas. It can grow as much as you want it to. If there is another income stream beyond the TV licence to support that, wouldn't that be good for the production content that we have on the radio and TV?

Lord Hall: The problem is that if we started taking advertising online, we would be doing something that we said we wouldn't, because there are others out there whose funding model is not the same. We are privileged to be funded by the licence fee and by people in this country. I really mean that. There are others who are trying to do jobs in information in all sorts of other ways funded by advertising, and I would not want to harm their market. Of course, they sometimes think we do harm their market.

Q79 Chair: But to follow on from what Ms Flint is saying, regardless of the advertising issue, there are things that the BBC sells—certain things that go on to iPlayer but then drop off so we can buy the box set. If you are with MyBBC, surely there is the potential for preferences to come through and for it to say, “Look, Meg Hillier, you might like to buy this series and download it.” Is that something that's in your mind? As you say, the licence fee is a privilege, but it is not a limitless pot of money.

Lord Hall: This is a really interesting area. It is why what we do on UKTV matters hugely, because once you have bought the rights for a month for licence fee payers to have free-to-air, how you then use those rights in the secondary market for catch-up and all that is important. That is why UKTV is so fundamental to how the BBC operates. As you know, in the last two years, we have also opened up BBC Store, where you can download to own things that you might have missed. That is

important too, but it is all after the licence fee payers have had their appetite sated, we hope, by free-to-air.

Q80Chair: But the point is that if you are using MyBBC—maybe the licence fee payer is paying eventually to use iPlayer—at a certain point, there is the potential for the BBC to raise more revenue from people by buying through BBC Store, as you say. Is that an active consideration of yours?

Lord Hall: We hope that people will buy through BBC Store. At the moment, you have a link from iPlayer, which points you towards a number of potential ways of buying material that is beyond the free-to-air window. I hope lots of people will take that up, because of course the surplus money we get from that goes back into content, as you were saying. If you look at something like “War and Peace” or “The Night Manager”, 70% or 80% of that can be funded by sales through Worldwide or by co-productions, which benefits right back to people in this country, because they get something of really high quality.

Q81Chair: A couple of other colleagues want to come in, but I wanted to pick up on your mention of BBC Worldwide. You may be aware that this Committee and our sister Committee, the Culture, Media and Sport Committee, have both raised concerns at times that you are taking licence fee payers’ money to create programmes, and then Worldwide is—rightly for the licence fee payer, in a way—making money. It is very difficult for Parliament and the licence fee payer to scrutinise whether you are getting value for that. The White Paper raises the idea, as Mr Bacon said earlier, that maybe there could be more scrutiny of BBC Worldwide. Can you come back to that? If you think we are making a fair point, how can it be done in a way that protects commercial confidentiality, which we recognise, but ensures that underneath that, licence fee payers are not getting a raw deal?

Lord Hall: This is an important issue. When it was raised by the Culture, Media and Sport Committee, we said we would look at ways of making more information about BBC Worldwide available for scrutiny by yourselves and others, and that that would include looking at how we can give data about how we are doing in various territories, for example, as well as how we present things at the moment. So we are up for giving more information to allow you to scrutinise us properly—it is absolutely proper that that is done—but you yourself just raised the codicil on that: how can we do it without compromising the desire of independent companies in this country or companies outside this country to come and work with us and support us?

Q82Chair: That is another White Paper issue to be thrashed out. Nearly finally from me, before I call Nigel Mills and then Deidre Brock, is a question about the E20 programme again, although not about bread and coffee this time. Will it make money? We have talked about the “EastEnders” set, but will there be an opportunity for you to lease out the Elstree site more as a result of the E20 programme to other production organisations? Is that part of a plan there?

Anne Bulford: In relation to the “EastEnders” set—

Chair: Not the “EastEnders” set, but the Elstree redevelopment as a whole, which I think is wider than the “EastEnders” set.

Anne Bulford: It is. Our commercial subsidiary studios and post-production operate some facility out of there already in the market, so if there is further opportunity there, we will look at that, but the majority of the Elstree site is used for our own productions. “Holby” comes from there as well as “EastEnders”, as you know.

Q83Chair: So at the moment, it is not actually part of the plan to look at maximising external revenue?

Anne Bulford: We do look to maximise external revenue in the margin of that site, and we will continue to do so, and look for more opportunity wherever we can. The E20 investment, in terms of its investment in some of the infrastructure in Elstree, will be helpful to that, but it does not release a big opportunity in its own right, because it is very much reusing the space that is there for “EastEnders” in a more efficient way.

Q84 Chair: So effectively, there is enough BBC programming to take up quite a chunk of the time. There is not going to be masses more time available, and that is the brake on making—

Anne Bulford: I think that is right.

Chair: Okay. Well, we will watch that.

Q85 Nigel Mills: I was going to ask a question on a similar line. I can see from some of the eight projects that are looked at in the Report that you can have a clear cost-benefit analysis and you can see that you will save more than you will spend, or you will save nearly the same, but for things like MyBBC there is no financial benefit at all. How do you assure yourselves that the money you are spending is value for money in that scenario? I guess that if there were a MyITV or a MySky, they could monetise those on the number of new subscriptions, renewed subscriptions, upsold subscriptions or whatever else, but I guess you cannot do that, so how do you convince yourselves that spending £77 million is good value for money in that context?

Lord Hall: Let me try the top level and perhaps Anne will have some other thoughts. We know that there is a direct correlation between time spent with the BBC and people feeling they are getting good value for the licence fee. One of the things we want to do, when overall consumption of media is tracking downwards, is to see how we can convince people to spend more time with us. I mentioned the signed-in users consuming 40% more. That is a very real thing, and we are watching very carefully to see whether MyBBC can help us to solidify our audiences and get them to consume more of what we know they want, and also—our work looking at younger audiences came up before—whether MyBBC can help us in our challenge to reach younger audiences. We are looking at it partly from the point of view of the demographics and how we can get more people to consume more of what we have.

Anne Bulford: I think you outline the challenge for all not-for-profit organisations very well: how do you rationalise resources, allocate resources and decide how much to spend? What we are looking at in the great majority of what we are doing is investor value. Most of our spend is on content, and how that works and how you choose which. We use a lot of input measures. The framework that we have been using is compete and compare, to make sure that what we are getting

and the unit cost of what we are putting in makes sense. We then use output measures around relative cost per user, feedback per user and how that is coming through.

Of course, around all of that is the strategic priority of keeping our services relevant and engaging for audiences so people can get them in the way that they need to. We have a strategic objective of building relationships with audiences on a more personalised basis and we then work through a series of iterations about what is going to work best for us of the infrastructure that we have, how we develop that further, how much we need to spend to get from A to B and how that compares against other priorities, where people have multiple ideas. I think any organisation that is not working to a profit motive has the same task: to find an investor value framework that helps you to make those choices, which become more difficult as the world becomes more complex.

Q86 Nigel Mills: I suppose I am just trying to work out how you convince yourself that £77 million is good but £150 million might be bad in that situation. Do you try to monetise those things? You say you were meant to be trying to get to—what was it?—something like 12.9 million people using that service in the first six months. Do you try to say, “Well, that is worth 10p a go, so that is some of it back,” or something? I cannot quite see how you draw the line between what is good value and what is not good value in that.

Anne Bulford: The particular mechanic that we used with MyBBC, reflecting exactly that difficulty, was to set aside £77 million in the strategic financial plan but to release that money on an annual basis against a programme of delivery and then, further within that, to release it quarterly. The deliveries of the personalised apps and the underlying infrastructure to manage and monitor the data are all mapped out on an annual basis and then the money is released against that, so we are able to look at the relative spend on the sport app versus some of the other things we are doing, and how many people will come to that. I think the overall benefits programme—pulling that together and really understanding how that comes down to the numbers of people and the relative cost—is what has taken us longer than we would have liked.

Q87 Caroline Flint: Very quickly to Mr Prettejohn: my understanding is that an analysis of the benefits of the MyBBC project didn’t arrive until two years in. Did that not give you cause for worry, from the Trust’s point of view? I understand that it is quite an agile project—I think that is the term that has been used—but you didn’t get a sense of what the benefits would be until two years into the project.

Nicholas Prettejohn: The point made in the NAO Report is a fair one—we should have had an assessment of benefits sooner, or at least a plan for quantifying what those benefits were. That is a fair point. Having said that, MyBBC was the subject of almost continuous discussion around, “What is the purpose?” and “What are the benefits?” during that period; indeed, it was an internal audit report that originally pointed out this question of quantifying the benefits. From the Trust’s point of view, it was the subject of almost continuous discussion.

I have a couple of points that tie that to one of the earlier questions. I think the comfort that we had during that period was that there was a regular sequence of deliverables, so there were things that were coming out of that project. It wasn’t that at the end of a two-year period, we would see what this magic thing was; there were going to be things that would actually make a difference to listeners and licence fee payers in the meantime.

Without being melodramatic about it, I think that MyBBC is ultimately a kind of existential question for the BBC. If you look at all media companies, all retail companies and all consumer companies, they are all seeking to try to do what MyBBC is trying to do—they are trying to establish that more direct, personalised relationship with their customer, their listener, their viewer. We saw MyBBC, first, in the context of the strategy of the BBC as a whole. Then, progressively, we have seen what is being delivered through the project and, finally, we have seen a quantification of the potential benefits and a refinement of what those benefits might be. One of the features of the so-called agile methodology across the BBC and elsewhere is that, as you test new versions of something and as you test new products, you learn more about what those benefits might be. I think that is exactly what has happened in this case.

Q88 Chair: One of the things that the White Paper touches on is the audience make-up among black and minority ethnic communities. There is a challenge here with MyBBC about how much data you collect on people. What it seems to do is to collect information about what people like and give them more of it, but if you are not producing enough of what people might like, the corollary is that you are not going to be producing more of it. Have you any plans to use this tool as a way of monitoring what segments of audiences want more of, in order to help you provide an even better public service, Lord Hall?

Lord Hall: We have some of that data at the moment. We haven't specifically decided to roll out further questions to the data we are gathering through MyBBC, but I would like to, over the next couple of years.

We do have quite a lot of data at the moment already on specific minority audiences and what they are consuming. That is helping us, I hope, to do what the White Paper rightly asks us to do, which is to take the lead on diversity and reflecting the diverse communities of the UK. I hope we can really make some progress on that.

Chair: It just occurs to me that we spent a lot of time talking about S4C earlier, but I represent a constituency that has a lot of diversity, not all of which is as well-served, arguably, as Welsh speakers.

I am going to bring in Deidre Brock and Chris Evans, very briefly, as we draw our session to a conclusion.

Q89 Deidre Brock: Returning to governance and the make-up of the board, Lord Hall, you will be aware that it is proposed that there be representatives of the four nations of the UK on the board, selected by the public appointments process—as are the chair and the deputy chair. Can you tell us a bit about how that work would differ from that of the people who are currently representing the nations on the Trust? From reading the White Paper, I gather it is going to require them to take on wider responsibilities.

Lord Hall: I cannot say more—I am not trying to be difficult, I just can't. To go back to what I said earlier, this is one of the areas where I hope the discussions we are going to have between now and the charter can help to elucidate how that will operate. I really believe we need to think about—and need as many ideas as we can about—the skills that we need to get on that board. That is absolutely key and, of course, making sure that the voices of Scotland, Northern Ireland, Wales and England are heard on the board is absolutely key, too.

Q90 Deidre Brock: I am very glad to hear that. I have to mention this as a representative of Scotland: you will be aware that the “lift and shift” process up in Scotland has been a matter of great concern. I know you are suggesting that stronger commissioning processes can be put in place up in Scotland. How confident are you that that will increase the amount of the nation-specific content that the White Paper calls for?

Lord Hall: I am very confident. I am also confident to know that the task we have got—so everyone is clear, “lift and shift” is taking things we do in London or the south-east and moving them to a variety of places, so the same programme gets made, but in a different place. I do want to get to the point where we are commissioning more out of Scotland. Some of the changes that we have announced so far will help to do that. There is more to be done. I also think—talking in Scotland but also talking in London—that this is going to take some time, but we will get there. It is a similar issue to Wales, where again, representation of Wales to the whole of the UK matters a lot, but if you look at what has been achieved in Roath Lock in Cardiff, it is breathtakingly good. The partnership we have with Northern Ireland Screen in Northern Ireland is terrific—“The Fall” and “Line of Duty”, which is coming back, again show the results of it. We need the same sort of focus for Scotland, too.

Deidre Brock: That is good to hear. The social research that the BBC commissioned recently showed that Scotland feels the least confident in the BBC’s ability to represent life in the nations and regions, so I think that work needs to be done there.

Chair: We note Ms Brock’s comment.

Q91 Chris Evans: I have one quick-fire question about MyBBC, concerning the speed of digital progress. Is there not a concern that by the time MyBBC is completed, it could be outdated and obsolete? If we roll back the clock 15, 20 years, there was no Facebook, Twitter or YouTube, and I wonder if something huge comes along that changes the digital landscape, are you going to be left behind?

Lord Hall: I very much hope not. As of March/April of next year, MyBBC becomes part of normal business. The key thing for me is that we have, in iPlayer, iPlayer Radio and the various sons and daughters of iPlayer that are springing up for children and elsewhere, something that people look at and say—when I talk to people from the west coast and elsewhere—“That is utterly brilliant.”

Chair: When you say “the west coast”, you mean the west coast of America.

Lord Hall: Sorry, of America, yes, not of Ireland or the west coast here, however good that might be—and it is good, believe me. Taking iPlayer forward in its various guises is really important, because we have a really strong and wonderful product there, and I want to make sure that we take that forward. You are right: you have to be neurotically looking at your strengths and the future, and making sure you adapt and change, always based around fantastic content. The thing that has really given me great pride over the last year has been the way in which our programme makers in radio and television have done some brilliant things. That is what we are paid to do. Taking that forward through iPlayer and elsewhere is the thing we have to do, too.

Q92 Chair: Lord Hall, your enthusiasm is palpable. I just want to finish by asking each of you what is worrying you most about these projects that we have been looking at today. Perhaps you could sum it up by saying which project, or projects, keep you awake at night, starting with Mr Prettejohn.

Nicholas Prettejohn: I try to get a good night's sleep, but if I had to pick out one, perhaps unsurprisingly it would be MyBBC for the reason I hinted at before, which is that it is of such fundamental strategic importance for the future because all organisations are trying to build those more personalised relationships. Having great content is the foundation of it, but being able to direct that in a targeted way so that listeners and licence fee payers can get the most out of their licence fee is absolutely critical. I would be continually concerned to make sure that that was delivering.

Anne Bulford: I am not a natural worrier, and I am a good sleeper, which is lucky. The biggest thing for me is managing the interdependencies, because we are a big organisation. Keeping the individual projects aligned with our overall objectives and with each other is very important. Maintaining a culture where people can speak up is the thing that I try my hardest to spend time on. You don't always want to hear from people bringing you problems, but you have to open up, listen to that and encourage it.

Chair: A final word, Lord Hall.

Lord Hall: I have to worry about it all. I want to get all of this right, but I really want to get BBC Studios right because I think the White Paper gives us a chance to build and to see our world-class programme-making base in the BBC change and grow. We have enormous strengths as a programme maker, and I want to make sure that that thrives. The White Paper gives us a chance to do that. We are, above all, a programme maker. When people talk about the future 10 years, 20 years or 30 years hence, what matters is great British content. I hope that BBC Studios will absolutely make great British content, and I am sure they will.

Chair: Thank you. With the danger of sounding fawning, all of us on the Committee would agree that we want to see the BBC continue to produce great British content, but we will nevertheless keep scrutinising how you are spending licence fee payers' money now and beyond the new charter.

Mr Bacon: Great British scrutiny.

Chair: Exactly as my deputy Chair says. I am sure it feels like that from your perspective today. I thank you very much for giving both your time and your hospitality, and for the tour earlier. Our transcript will, as ever, be up on the website, hopefully by the weekend. Our *Hansard* reporters have travelled with us today to beaver away at that—no pressure, guys. We will probably be producing our report in the next few weeks. We have a recess for the European referendum, so it may well be after that, but we will obviously make sure that we send you a copy. Thank you again for your time. Thank you to those who are watching, and thank you to the Committee.