

Public Accounts Committee

Oral evidence: [Renewing the EastEnders set](#), HC 1737

Wednesday 30 January 2019

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[Watch the meeting](#)

Members present: Meg Hillier (Chair); Chris Davies; Chris Evans; Shabana Mahmood; Stephen Morgan; Anne Marie Morris; Bridget Phillipson; Lee Rowley.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Louise Bladen, Director, NAO, and Richard Brown, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-48

Witnesses

[I](#): Lord Hall, Director-General, BBC, Anne Bulford, Deputy Director-General, BBC, and Richard Dawkins, COO, BBC Content.

Reports by the Comptroller and Auditor General

E20: renewing the EastEnders set (HC 1782)

Management of the BBC's critical projects, presented to the BBC Trust Value for Money Committee, April 2016

Examination of witnesses

Witnesses: Lord Hall, Anne Bulford and Richard Dawkins.

Chair: We now move on to the second BBC issue today, which is the National Audit Office's Report on E20, the site in Elstree where "EastEnders" is filmed. It was originally built in 1984 and there was a great plan to change it, but the cost was £27 million more than expected and it was more than two and a half years late. We were already told about a two-year delay in 2016, so that is nearly three years ago now. We want to probe what lessons you have learned.

Q1 **Chris Evans:** Lord Hall, if the Chair will allow me to be parochial, in November 2011 the BBC successfully moved Wales's favourite soap opera, "Pobol y Cwm", and Cwmderi, from the BBC Wales Llandaff studios down to Roath Lock. There were no problems with that. However, on the BBC's flagship soap opera, "EastEnders", you have managed to go over budget by 45% and to have a delay of 31 months. What went wrong?

Lord Hall: "Pobol y Cwm" was a move to a completely greenfield site. As you rightly say, Mr Evans, it is now a very successful site, with not just "Pobol y Cwm" but other things happening there, including "Doctor Who". Roath Lock is a great success.

"EastEnders" is entirely different. This is a variance of a plan because, actually, most of the money here has not been spent yet, so we have been working through how we spend it properly from the point of view of our licence fee payers. The NAO Report made quite clear the difference between "Pobol y Cwm" and this, and that is that we are dealing with a site where on any one day three multi-camera shoots will be going on while "EastEnders" is being done, and you have got a residential area.

The NAO also makes it quite clear that we are right to develop this site. It is our own site; we looked at other sites, but in the end we came down to this one. We have had issues with inflation and the nature of the contract—putting it all in one dollop, to be equally colloquial, rather than breaking it down as we have done since then—and we came across problems with the site to do with asbestos that we could not have foreseen.



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Is this an important investment for the BBC? Yes, it is. “Pobol y Cwm” is vitally important for S4C and the BBC. “EastEnders” is at the heart of the BBC 1 schedule, and it is really important that we get this right. Anne Bulford and I, in our first year at the BBC, went to Elstree and were shocked at the fact of—you mentioned the figure—34 years of broadcasting “EastEnders”, so a set that was designed for two years was still being run. When there are high winds or rain, we have to move the people shooting stuff, because things might fall off.

- Q2 **Chris Evans:** Forgive me, Lord Hall, because I know 1984 to 1986 is long before your time, but by 1986 “EastEnders” was the most watched programme on television—I think the Christmas ratings that year were in the region of 27 million. Can you explain why the decision to upgrade the set has taken 30-odd years? I would have thought, when it was quite clear that “EastEnders” had a long-term future after 1986, that the BBC would have done something then.

Lord Hall: I hate to agree with you in this sense, but I do—

Chair: “I hate to agree”?

Lord Hall: I don’t want to seem—

Chair: It is all right, we are happy if you agree with us.

Lord Hall: Okay, I am delighted to agree with you. Both Anne and I, since we came back to the BBC, have been trying to deal with some of the long-term building issues that the BBC has faced and, bluntly, has avoided—to your point. It struck us both that investment was long overdue in something that is at the heart of our schedules, is great for reaching 9 million people each week and produces over 100 hours of output per year. The young watch a lot, so do BAME viewers and, by the way, it is another important way of us not only giving people a great drama that they can latch on to, but putting important social messages out there. So we felt that investment in it was a priority for us, and the story then is in the NAO Report.

- Q3 **Chris Evans:** I’m sorry, Lord Hall, but I have to disagree with you on that. You just agreed with us, but we might have to disagree with you. As we know, we live in challenging times for television, especially serial dramas. I mentioned the figure of 27 million for Christmas 1986. In 2017, “EastEnders” recorded its lowest number of viewers—I have it down at 3.41 million. It averaged 6.6 million in the same year. You have recently cancelled a reboot of “Porridge”, which was somewhere in the region of that same number of viewers. Can you confidently justify investing £87 million in a programme that you may make a decision about in five years?

Lord Hall: You mean, can I justify “EastEnders”?

Chris Evans: Yes.



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Lord Hall: Yes. What has happened in that period—we all know this—is that viewing for linear terrestrial television has gone down. Apart from “Bodyguard”, which disproved this, the number of times when, generally, 18 million, 19 million or 20 million people watch, at Christmas or other times, has gone down. But, if you look at the BBC 1 or ITV schedules, the core of those schedules, broadly, is Corrie on ITV and “EastEnders” with us. If you look at our Christmas day and Christmas eve episodes, they really peaked a lot. They are also programmes that are driving young audiences and BAME audiences as well. So, the world has shifted, but the programme is none the less important.

Q4 **Chris Evans:** But the programme didn’t appear in the top 20 best watched programmes last year. I have already checked that; it wasn’t there.

Lord Hall: I go back: it’s delivering a reach of 9 million people per week; it’s a really important part of the schedules; and these things go up and down.

Chair: I think perhaps Mr Evans has east London envy, coming from the valleys.

Chris Evans: No. Well, we have got “Pobol y Cwm”, so it’s fine. *[Laughter.]*

Chair: I wonder how many millions that pulls in; give me the east end of London any time.

Q5 **Chris Evans:** We won’t talk about that. The question I’m getting to is this: how can building this new set—an investment of £87 million—have a positive impact on audience figures? Do you think it’s going to increase audience figures?

Lord Hall: I do. One of the great things about “EastEnders”, by the way, has been how extraordinary talent comes out of it, and that’s another reason for investing money in it. I’ve got a huge amount of faith in Kate Oates, who has come from other places to work with us on this and also some other of our long-running serials.

I think that when we get into the back lot—one of the criticisms that people sometimes make about “EastEnders” is that it’s not the modern east end—it will allow us, editorially, to think through new plot lines and broaden the range of the things that the programme can deal with.

I think this is really important and I want us to be very public-servicely competitive about the programme. I believe in this investment hugely.

Q6 **Chris Evans:** I just want to touch on this before moving on quickly, because obviously we are constrained by time. Famously, you broke the bank to bring Leslie Grantham back in 2003. You broke the bank as well to bring Danny Dyer into the programme. Do you think that you have used money that would have been best allocated towards the set on talent, and in the case of Leslie Grantham—I don’t speak ill of the dead—



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it didn't work out on his return?

Lord Hall: This is a really hard question, but it's exactly the sort of thing that you're balancing all the time. I think that, after 34 years, we need to replace a set that was supposed to have lasted for two years; I think there's no doubt about that. But you are matching exactly those sorts of things: what do you pay to bring somebody back, or what do you pay to develop the plot lines and the characters? I think that when we have finished this project, the editorial ambition of "EastEnders" can be even greater than it is now, and I think Kate Oates is driving it well in that direction.

Q7 **Chris Evans:** I want to move now more into the nitty-gritty of how we arrived at the decision we did. I am looking at 2013, Ms Bulford. You said the original E20 plan was set out, including to build a temporary set two thirds the size of the current set, which would be used while a new permanent set was being built. There was a budget of £59.7 million, and that was forecast to go up to £7 million over budget. Perhaps I watch a lot of BBC television programmes because of who I am married to, but would you say that was a good plot of "W1A"?

Anne Bulford: The space on the site was quite constrained and the continuity on "EastEnders" was what was really important. A lot of work had been done in the run-up to 2013: looking at other sites; and considering whether we should move out of Elstree or carry on there. The proposal to build a temporary set, to ensure continuity of filming, was what was brought forward.

Subsequently, as the Committee is aware, when we looked again at the configuration of the site and some other things opened up, we had the opportunity to move to the current plan, which is to build the new set, demolish the old set, create the back lot and expand the site. We all agreed that that was a better plan.

Q8 **Chris Evans:** I cannot get the image out of my mind of BBC executives sitting round the table and thinking it was a good idea to build a temporary set, which would have cost money. Why didn't you look at the front and back lot approach then?

Anne Bulford: The way in which the site was configured at that stage, there wasn't the space to do that. Two things happened in 2015. First, the original plan came under cost pressure, so we had to revisit it; that was the right thing to do, anyway. At that stage, exactly as you should, we went right back to first principles and said, "Is there a different way of configuring the site? The way in which it's working now—can we open up more space and actually move to build the permanent set at full size on the site that is a bit bigger than previously—"

Q9 **Chris Evans:** So where was the temporary set going to be based if it went ahead? I'm trying to work out the plan in your head.

Anne Bulford: In parallel with this, we were looking at the infrastructure at "EastEnders"; Richard may want to come in on this in some detail. We were looking at the overall infrastructure at Elstree. The Boiler, which is a



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big part of the expenditure and infrastructure there, needed to be dealt with. Therefore, we had the opportunity to refurbish that, move it and loosen up the site. That is how we did it. I think there were some other things, but that was the main thing.

Richard Dawkins: That was the primary reason.

Q10 **Chris Evans:** How old is Elstree—about 100 years old?

Anne Bulford: I am sorry; I do not know.

Chris Evans: The reason I ask is that, on sites that are quite old, there will be problems with underground boilers and asbestos. In the Report, you identified the asbestos problem. Before you went ahead, did you account for any of those problems occurring?

Richard Dawkins: Surveys were carried out at the start of the project, so there was some expectation that there might be issues. Based on the advice from the cost consultants, contingency was set aside in the budget. In fact, 18% of the unspent budget in 2015 was contingency, which was at the upper end of the advice. So there was a risk there, but ultimately, with asbestos, or with looking for objects in the ground, you cannot know the full extent of the issue until the work is carried out. What is captured in the NAO Report is that delta above what was actually a reasonable assessment from the BBC on the advice that was presented at the time.

Q11 **Chris Evans:** The Report says that you knew about the asbestos, the Boiler House, the obstructions on the front lot and the existence of an underground oil tank, so why was there a problem? If you knew about those issues, why did you run over budget? Obviously, you will have factored those in.

Richard Dawkins: The risk was known and money was set aside to deal with it, but the full extent of the work required cannot be defined until you are in the ground or on site to remove the issues.

Q12 **Chair:** I am trying to find the contingency figure—I cannot find it. What was it?

Richard Dawkins: It was 18% in the 2015 business case, which was at the upper end of the advice that was presented.

Q13 **Chris Evans:** The big criticism in the Report, Ms Bulford, is that the feasibility report was too short. Why was that?

Anne Bulford: A lot of work had been done under stage A and stage B for the first plan that was approved in 2013, which confirmed where we were going to build it and set the statement of requirements, which was the existing set and the replication. There is always a balance to be struck between keeping momentum and keeping moving on the project and how deep you go into that stage. The judgment was made that the work that had been done to date was adequate. Subsequently, with hindsight, when the BBC internal audit team looked at that in 2017, there was a view that



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if we had spent longer on it, we might have made a higher cost contingency for some of the issues that came through, and done better.

- Q14 **Chris Evans:** Why did you not spend longer on it then? Why was it rushed?

Anne Bulford: The judgment was taken that we had what we needed to move on to the next stage at that point. The requirements for the “EastEnders” set are well understood—it is the Queen Vic and the set as it is.

- Q15 **Chris Evans:** Would you say there was a limited understanding of the problems before you undertook the feasibility study? Was that improved by the feasibility study or was further work needed?

Anne Bulford: That work absolutely identified and confirmed the scale of the risk that we were dealing with, and that risk was reflected in the budget. As Richard has explained, we provided at the upper end of it based on that. When we actually got into the work, what we could do with the oil tank that was known about was not what we thought—it was a more challenging problem. We did the skims to look for the asbestos and found some, and when we got deep into the ground we found more. From our perspective, if we had known all that at the beginning, we would have provided more, but the decontamination of the site represents something that was going to need to be done at some stage under any scenario. We have not wasted money; we just did not estimate enough money for it at the start.

- Q16 **Chris Evans:** Are you confident that the asbestos problem has been solved, or do you think more money will have to be spent on it?

Anne Bulford: We have put very prudent contingency into the existing budget to deal with anything more that comes up. On the front lot, in all but the top quadrant of the site we are now out of the ground, so we should have bottomed out. There is another part of the site to look at. We have put contingency in place that we believe is sufficient and we will have to continue to monitor that closely.

- Q17 **Chris Evans:** At any stage did you think it would have been a cheaper option to move Elstree altogether and build another set elsewhere? I am thinking of MediaCityUK. I don’t want to bang on about “Pobol y Cwm”, but “Pobol y Cwm” is based in Cross Hands, which is a fair way from Cardiff. Did you ever think of relocating “EastEnders” elsewhere in the country?

Anne Bulford: Those options were all considered as part of the 2013 decision. We had taken a decision that Elstree is an important freehold site, which has a big studio infrastructure. It is also the home of “Holby City”. The studio is also used for other things, including general election coverage. It is also rented out to third parties. There is a lot of infrastructure there. We looked at all of this. We looked at options, including east London, and we concluded that the best value for money in the round was to continue where we were. That is covered in the report. That decision has not resurfaced or had a different view taken on it.

Q18 Chris Evans: So you are not revisiting it at all?

Anne Bulford: No. In 2015 we looked at all options again, exactly as I have described, and that is what got us to the two set situation. But the conclusions we had reached before about the cost-complexity, feasibility and overall value for money of moving “EastEnders” somewhere else—we reached the same conclusions that we had before.

Q19 Chris Evans: Obviously “Coronation Street” has moved in the past. I know you have spoken to the guys there. Obviously, there is a problem with ageing the set and continuity. How would you rate your approach to that?

Richard Dawkins: It is absolutely right that the scenic ageing part of the process is absolutely critical, because for the front lot it is all about replicating the existing look of Albert Square and Walford. We have put quite a lot of time into the project plan now, once the main build is completed, to do this activity. We are well under way already with our design team, in bringing together all the detail of the elements that will need to be performed in that phase of the project. It is an artisan activity. We will be bringing experts in to help us with that. It is a broad range of things. It is a significant part of the project and it is a part that we are preparing very carefully for at this moment.

Q20 Chris Evans: I don’t want to suggest story lines, but obviously there is the example of “Emmerdale” in the ’90s. They flew a fictional aeroplane into the set. It wasn’t called Emmerdale then, but Beckindale, or something like that. They wiped out the cast and the set, and rebuilt it. Would it be cheaper to have a plot line in which something falls out of the sky—fictionally—and wipes out the “EastEnders” set, and rebuild it as new?

Lord Hall: I think we are now in “W1A” territory. I don’t blame you for suggesting that, but the answer is no.

Anne Bulford: We would still have to deal with asbestos—explosions of asbestos.

Q21 Chris Evans: I want to move on now to what I think is one of the more worrying parts of the Report, namely the lack of skill in construction and the project management of this piece. I would have thought that this is meat and drink for the BBC. I have cited previous examples where you have moved sets. Why were you having a problem getting the right skills in the programme team?

Lord Hall: There are two issues for me coming out of this. That is one of them, and one learning we should do. When we started off, the team had construction and workplace expertise. You are trying to bring the programme creative team together with the people who understand buildings. I think the NAO is right to say—and we accept it—that we probably got that balance wrong at the beginning, and we should have brought in the construction expertise earlier.



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Anne Bulford: The gap was in the leadership roles. They were in the team, but we had a sort of more production-background leadership and then we transitioned that to construction. The view that our own internal audit report took—and the NAO shared—was that we didn't do that early enough.

Chris Evans: I am trying to get my head around the fact that you would be building sets for new series and programmes, yet you got this one so wrong. What was the issue? Why was the construction so flawed?

Lord Hall: I think this is of a scale that we simply don't do. You have just been quizzing us, quite properly, on the difficulty of the site. The NAO Report draws out the complexity. We are running on the site an intense production of one of our really important programmes, while at the same time changing the nature of the set and building a new set on the site. These are all really difficult things to do.

I will say one thing about this. In my first seven or eight months at the BBC, we cancelled a project called the digital media initiative, which was the right thing to do. We learned from that that we have to make sure that people discuss and air difficulties and bring them up to board level. The way this has been handled from the beginning, by both the finance and audit committee and at board level, and now at our new, central board level, has been exactly right. We have been declaring when things are amber, red or green. That is a huge change we have learned in how to we deal with projects like this.

Q22 **Chris Evans:** Before I move on from this, could you talk me through the roles and responsibilities to support the programme in the original plan in 2015 and how it has developed? It seems to be overly complicated. It had 16 different programme roles for 14 FTEs during the initial stage of the programme. However, you do not define the specific skills in there. Could you talk to me about how the programme developed and how it changed over time?

Anne Bulford: The skills to undertake that development planning stage were there. There were construction skills and architecture skills, and the link into the programme team and programme management were there; there was everything you would expect to see. That team expanded as we moved through the different stages and into construction. The main change that we undertook was switching the project lead to somebody who had a deep background in the construction industry. That was a rebalance of skills, as well as an expansion at that stage.

Q23 **Chris Evans:** How did the production lead get on with the producers of "EastEnders"? Were they integrated? How many conversations did they have?

Anne Bulford: They did get on. One challenge, which is referred to in the Report, is that "EastEnders" is a living, breathing thing, and its forward story lines have an impact on the set. Whether redecorating a house or having new things and all that, keeping those forward story lines in lock step with the design plan was a challenge. They were collecting them up



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and dealing with them. For a period, they got too far apart, and then we had to take remedial action to bring them back together again. However, that change process, looking at the forward story line and the design, is now in place.

- Q24 **Chris Evans:** Why did it take more than a year to agree the change process after the 2015 programme was agreed?

Anne Bulford: Some of that is documentation of the process that was running through at that time and getting that locked down. It is important to get these things right. I do not believe that that had a major impact on either the delay to the programme or its cost.

- Q25 **Chair:** Mr Dawkins, you must have worked on other projects where you had to keep the storyline going while doing works on the site, although maybe not as big a set of works as this. Why did it go so badly wrong, and what lessons have been learned?

Richard Dawkins: I joined the programme in 2017. My past before that was in other parts of the BBC, where I had the similar challenge of balancing editorial teams and either construction or technology projects. The key thing is the blend. At all levels of the project, whether with the steering group, the change group, a design authority or a wider stakeholder forum, it is about engaging the right people in those conversations.

One challenge here is that the production team is running a very tight machine. There is a lot of filming and it is very busy, so you have to find the optimum time for them to engage directly in the programme. However, we now have very strong representation at the steering group and the design authority, where, as Anne talks about, change is now managed. We have four very senior members of the "EastEnders" production team on that committee who therefore sign off on any change that affects the programme.

- Q26 **Chair:** That is now. Why was it not working so well before?

Anne Bulford: It was a different stage of the programme. We are in construction now, so that design authority has to be really tight. When the number of design changes built up, we spotted it, it was surfaced and we dealt with it. We then put the remedial action—"let's make sure this doesn't happen again"—in place. As the Report describes, those design changes were whittled down.

I want to emphasise that there were two plans running. It is not as though we built something and then had to knock it down, because it was something else. The story line was going ahead and the design plan was going ahead, and actually some of the story line was pulled back to fit with the design and vice versa. It was something that we picked up, we dealt with and it didn't cause major problems. We learned from it and we have taken those learnings into the rest of the project.

- Q27 **Chris Evans:** You had a nightmare on the front lot contract, Mr Dawkins. Why do think you had no market interest at the start?



Richard Dawkins: There is reference in the NAO Report to the inflation in the construction market and the competition for services. I think this was exacerbated for E20, because of the bespoke nature of the project. If you are builder, clearly you want to be able to do projects where you can replicate the build over and over again, but the specificity of what we are trying to achieve means that it is a one-off. It has taken longer, as we know, and the budget is higher at the end, compared with where we started, but these are factors that are driven by the market, which I think have been experienced by many organisations over recent years.

Q28 **Chris Evans:** In the end, Wates won the contract—there were three contractors; two met the criteria—but, they came back to you and they asked for clarity. Why was that?

Richard Dawkins: In any procurement you would expect that part of the process of working with bidders is to ensure that they fully understand all the requirements and they feed back on questions. For a project like this, where we are doing both construction and scenic ageing, having absolute clarity over the divisions of roles and responsibilities within the drawings, was really important. You would probably would not expect, until you got into that process, some of those questions to arise from the bidders. Obviously, we answered those as we went along and that is what provided clarity.

Q29 **Chris Evans:** With respect, Mr Dawkins, you had already wasted £2.3 million, because you hadn't got a market interest. You then decided on Wates and they came in with a price that was higher than you anticipated. It has cost £9.5 million more than you have budgeted for. Do you think that was a good negotiation and value for money?

Richard Dawkins: The Wates procurement process was a second go-to-market strategy, having originally gone to market and discovered that there was not the interest at that stage to proceed. The £2.3 million that you are referring to is for running the project for longer, to reset and then start again. If we had not done that, in all likelihood, we would have had a much higher contract cost and we would have probably ended up with a contract with significant provisional sums and a lack of clarity against roles and responsibilities. Yes, the £2.3 million is higher than was in the original project plan, but actually it is important spend that ensured that we went for a procurement where we could have a very clean contract, which was ultimately subject to competition.

Q30 **Chris Evans:** Bizarrely, there was a problem with the bricks, as well. Can you explain that?

Richard Dawkins: We had no issue with bricks.

Chris Evans: There seems to be an issue here with the bricks. Both parties couldn't decide on the type of bricks for the front lot.

Richard Dawkins: We have decided. What is referenced here is that before going into the contract, we felt that it was important to look at a range of different types of brick and, very importantly, bring our



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production colleagues on board, so they could review those bricks themselves, given that they are the ones who will ultimately operate the set. We did that in advance of letting the contract with Wates. The objective for the front lot is to replicate the existing Albert Square set. Making sure we had that right was really important. We did that in advance and I think we could have been fairly criticised had we not done that, and had gone into construction with potential ambiguity over one of the key materials.

- Q31 **Chair:** I suspect that when you got a job at the BBC you didn't think that comparing bricks was part of the job description. How long did it take to choose the bricks?

Richard Dawkins: The process took weeks. It was in the first part of last year, before we went to the board.

- Q32 **Chris Evans:** Wouldn't it be easier to go to the DIY shop and look at them and compare them?

Richard Dawkins: It is quite important that we replicate the look and feel of Walford and Albert Square. It is from the Victorian era. It is an extensive build around the entire square, so it is really important.

- Q33 **Chris Evans:** The reason I struggle with the bricks is that at the moment they are façades—fronts—aren't they? You are going to build proper houses. Why were the bricks such a problem? They are just façades.

Richard Dawkins: As I say, we are trying to ensure—and are giving a lot of care and attention to this—that what we build faithfully represents Albert Square. If you look at the current set, there are different shades of brick. We've had a look at the different types of mortar. This is not just about going and finding a limited choice at your local DIY store. It was the right thing to do.

- Q34 **Chris Evans:** Okay. I want to move on, as time is beating us here somewhat. You accounted £9.2 million for inflation and construction costs. Can you tell us how you arrived at that figure?

Anne Bulford: Would you mind if Richard answers because he dealt with the negotiation directly, so that is probably helpful?

Chris Evans: Okay, yes.

Richard Dawkins: That measures the original budgeted plan for the front lot contract in the 2015 business case and then the final out-turn in 2018. The first budgeted number was arrived at working closely with our cost consultants, through a line-by-line review looking at benchmarks in the market for material input prices. As we have seen, over the ensuing period, prices went up.

During the process that Wates ran, it reviewed input prices again, and the different benchmarks. As I say, the number you are looking at is ultimately the comparison between the two contract values, adjusted for the change request that you referenced earlier.



- Q35 Chris Evans:** Could you just explain the figures that your cost consultants AECOM have come up with? They said they underestimated the cost of the front lot, which is now forecast to be £54.7 million—£23.5 million more than planned. The recent estimate of the front lot construction cost was £3.1 million below the final contract price of £24.2 million, which you have agreed between Wates and the BBC. Could you just explain those figures for us?

Richard Dawkins: There are two different things being discussed there. I will deal with the £3 million point first, then the larger one.

The £3 million point is around how AECOM evidenced the change from the original budget for the front lot contract and the final out-turn. For £3 million-worth of that difference, they struggled to find direct benchmark data, just because of the bespoke nature of the project. They concluded that nevertheless inflation was driving the difference; they just did not have benchmark data for the individual items.

That £3 million is basically part of the comparison, which is the £9 million that you asked Anne about a few moments ago.

So £9 million is part of the £24 million; you have already talked about the £2.3 million, which is essentially the prolongation costs of running the procurement. We have set aside quite an important sum, should there be any further asbestos issues, or any other risks that would challenge the project.

The other item that is material in that number is £3.6 million, which relates to updated delivery assumptions for two things on the front lot: first, on the scenic ageing, which we have now decided in discussion with Wates to run sequentially after the build, rather than trying to do the artisan work at the same time as the construction. So part of that £3.6 million is the time it will take to do that, and the other part is that we have actually bolstered our team as we manage the contract going forward; it is an NEC3 contract and we want a site supervisor, a project manager independent of our project team, to absolutely verify the milestones that are being offered through the project.

- Q36 Chris Evans:** Don't you think Wates have got you cornered on this one—there is no competition, nobody else is interested in it, they can charge you what they want, and the BBC is suffering because of that?

Richard Dawkins: When we selected Wates, they had to determine their overhead and profit margin as part of that first round of competition, so they were locked into that at the first stage. In the second stage, when they went into their subcontractor supply chain, they had to generate competition there. It was totally open book, so we in the BBC saw the bids that came through against each of the 28 or so work packages. But anticipating that we needed to demonstrate value for money, not only did we have AECOM review those numbers, but we initiated some further assurance to ensure that we were running as competitive a process as we possibly could. But there's no doubt that the increasing cost is inflation. Wates are clearly delighted to be working with us, but it is the inflation in



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the raw materials and down the supply chain that is ultimately driving the cost.

Q37 **Chris Evans:** Have you ever used them in the past?

Richard Dawkins: Wates are on the BBC's framework, and they have done other projects for the BBC, so yes.

Q38 **Chris Evans:** And have they arrived on budget and on time?

Richard Dawkins: I believe they have, yes.

Q39 **Chris Evans:** Are you sure?

Chair: For the record, Ms Bulford's nodding, but—

Chris Evans: So you can assure the Committee of that.

Anne Bulford: Yes. We can confirm which projects to the Committee, if that would be helpful.

Q40 **Chris Evans:** My final question to you, Lord Hall, is this: apart from dropping a bomb on the set and rebuilding it, what would you do differently with this programme?

Lord Hall: The programme? I rely on the execs to do that.

Chair: With the project, rather than the programme.

Lord Hall: Sorry, I thought for a minute you were asking me to fantasise about what I might do with "EastEnders". What have we learned from this? I think it's quite clear, isn't it? In terms of getting the right team together—I think we got the right team together, but No. 1, the leadership is important. No. 2, change of control as you go along is really important too.

Q41 **Chair:** For me as an east London MP, can you give us a taster of what will be on the back lot?

Lord Hall: I'm afraid it's too early to comment on that.

Q42 **Chair:** So we can put in bids, can we?

Lord Hall: Please give us ideas.

Chair: I shall ask my local schoolchildren to suggest what—

Lord Hall: Actually, that would be a wonderful idea. To get from them their feelings about what should be on the "EastEnders" back lot would be absolutely great.

Chair: It is not all hipsters and beer.

Chris Evans: You could always move to Roath Lock. I hear it's very up and coming.

Lord Hall: I love going to Roath Lock.



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- Q43 **Chair:** I shall take that as an invitation to engage the one in five people in Hackney who's under the age of 16, for starters. Just very quickly—I know we've been here a long time, and I do appreciate your patience with the votes and this warm room—BBC Sounds has had a bit of a rocky start. Can you tell us what's going on with BBC Sounds and whether you are rectifying the problems?

Lord Hall: Yes. BBC Sounds is a really important change for us. I wanted a change from the iPlayer radio, because I believe that we do incredible radio and incredible audio.

- Q44 **Chair:** Most of us probably listen to some of the podcasts, so I don't think that's the issue. It is really about what has happened with Sounds.

Lord Hall: It is a new venture, and we are learning as we are going along. Actually it is getting to new audiences and it is doing well, but we keep needing to adapt and to ensure that it's changing and giving people a better service.

- Q45 **Chair:** If things are on Sounds, you can't get them overseas, so are you planning to put things just through Sounds and not through iPlayer?

Lord Hall: We want Sounds to be something that you can hear overseas as well.

- Q46 **Chair:** So there are just some teething problems with it.

Lord Hall: Yes—and some rights issues as well, as Anne is reminding me. It is a big change; it is a belief in audio and radio, and as with all these things, we just want to keep developing it and getting more people to use it. Particularly the personalisation, and the fact that podcasts are on this—there are some brilliant podcasts too, so—

- Q47 **Chair:** We remember coming up to Salford and hearing about the early stages of this, so it is quite interesting to see it come out. I don't think we have time to go into what might be going on or not, but I am glad to hear that you are hopefully on the case.

My final question is about the possibility that you may be opening up an office in Brussels or, indeed, another European capital. What progress are you making on that, and how certain is that? Does it depend on what happens between now and—obviously it depends on what happens on 29 March, I suppose.

Lord Hall: It depends on what happens. It is simply us being cautious and saying, "We have channels that we run and markets in the rest of Europe that we want to make sure we can continue doing." If we were to move somewhere—it depends entirely on what happens with the negotiations over Brexit and so on—it would be a handful of people, four or five. The Belgians have been lobbying for it to be Brussels, others have been saying Amsterdam, and others have been saying somewhere else. There is no decision, and we are just waiting to see what happens over the next few months.

- Q48 **Chair:** Okay, so when will that decision be made?



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Lord Hall: It depends entirely on how negotiations go. We might not need to make it, and I hope we don't need to make that decision, because it is far better to run everything from here.

Chair: I will leave it there. Thank you very much for your patience and time; we would have been quicker but for the lost time for votes, but that's democracy. As I said earlier, we will be putting out a report on this in the next few weeks once we have spoken to HMRC, so thank you very much indeed for your time.